AUG 14 1926

The MAGAZINE of WALL STREET

Aug. 14th 1926

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EDITED BY

Richard D. Wyckoff

SEE PAGES 758—766

MID-YEAR DIVIDEND FORECAST

SEE PAGES 758—766

STEEL

Bethlehem Steel
Colorado Fuel
Crucible Steel
Gulf States Steel
Penn-Seaboard
Sloss-Sheffield
U. S. Steel
Youngstown

MANUFACTURING

Advance Rumely (Pfd.)
Allis-Chalmers
American Can
Case Threshing
Chicago Pneumatic
Continental Can
General Electric
Int. Business Machines
International Combustion
International Harvester
Oil Well Supply
Remington Typewriter
Underwood Typewriter
Westinghouse Electric
Worthington Pump

CHEMICAL

Allied Chemical
American Agricultural
Davison Chemical
duPont, E. I.
Tenn. Copper & Chemical
Union Carbide & Carbon
U. S. Industrial Alcohol
Va.-Carolina Chemical

BUILDING

Alliance Realty
American Radiator
Certain-Teed Products
Devoe & Raynolds (Cl. A)
Foundation Co.
International Cement
Otis Elevator
U. S. Realty

TIRES

Ajax Rubber
Fisk Rubber
B. F. Goodrich
Goodyear Tire & Rubber
Kelly-Springfield
Lee Tire & Rubber
Miller Rubber
U. S. Rubber

MOTOR ACCESSORIES

American Bosch Magneto
Briggs Mfg. Co.
Continental Motors
Electric Storage Battery
Hayes Wheel
Kelsey Wheel
Motor Wheel
Murray Body
Reynolds Spring
Spicer Mfg. Co.
Stewart-Warner
Stromberg Carburetor
Timken Roller Bearing

MERCHANDISING

Associated Dry Goods
Gimbel Brothers
S. S. Kresge Co.
Kresge Department Stores
R. H. Macy & Co.
May Department Stores
Montgomery-Ward
National Cloak & Suit
National Dept. Stores
Schulte Retail Stores
Sears-Roebuck
United Cigar Stores
United Drug
F. W. Woolworth

MOTORS

Chandler-Cleveland Motor
Chrysler Corporation
Dodge Bros. (Cl. A)
General Motors
Hudson Motor Car
Hupp Motors
Jordan Motor
Mack Trucks
Nash Motor
Packard Motor Car
Pierce-Arrow
Studebaker Corp.
White Motor
Willys-Overland

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WITH THE EDITORS

The Cost of Inertia in Investing

THE other day, a well-to-do man died. When his safety deposit box was opened, it was found that he had $80,000 in coupons *not cashed.* Some of these coupons were payable a dozen years ago. One of the trustees of this man's estate figured that by not cashing the coupons, the estate had lost an average income of $4,000 per annum over a period of ten years.

Strange as it may seem, there are a great many people who never cash their coupons. What object they can have, passes all comprehension since by keeping their funds idle over long periods, they lose the advantage of compounding their interest. This is a form of investment inertia, of which there are many phases.

An investor with whom we are acquainted has had 100 shares of a non-dividend paying stock in his box for eight years. He paid $40 a share for the stock. It has never paid a dividend in all the years that it was carried. Most of the time, it has sold between $15 and $25 a share. Recently, however, the stock finally advanced to above 50 and the investor eagerly sold out. His idea is that he has made a $1,000 profit.

Let us examine the facts. The stock was bought eight years ago and cost $4,000. It has never yielded an income return. Suppose the $4,000 were invested at 6% and the income reinvested at 6%. Any ordinary investor should have been able to receive an average of 6% interest on his funds during the past eight years without any special risk. Let us see what would have been the result had the funds been invested in income-producing securities. At 6% compounded the total interest to-date would be $2,372 and his capital would now be equal to about $6,372. But he received, when he sold the stock, only $5,000. Hence, the net *cost* to him was $1,372, a genuine loss, not counting the loss of opportunity by being tied up for a long time in an unproductive investment.

We bring out these two illustrations to show that time waits for no man and that with loss of time goes loss of money and opportunity. There is a moral not difficult to understand: *You must put your money to work continuously, if you expect it to increase.*

Imagine a banker leaving his funds around idle. No banker will willingly lose even a day's interest. His funds are *always* at work, at whatever is the prevailing rate of interest. You won't follow a bad example, if you follow that of the banker.

A Minister's Fortunate Purchase

Editor, The Magazine of Wall Street

Dear Sir:

Several years ago there appeared in your pages an excellent article (March 31, 1923) upon the Texas and Pacific Land Trust. After careful investigation, I bought a few shares at 255 which I still hold. The market is now around 1000. As I have become physically disabled, this substantial addition to my moderate capital is most welcome. I thank you.

Sincerely,

A. B. C.*

* A New York Minister.

In the Next Issue

Italy's Future

As seen by His Excellency, Alberto de Stefani, former Finance Minister of Italy

A frank discussion of Italy's major economic problems by the man who is considered responsible more than any other for the marked improvement in Italian Finances. As Mussolini's right hand man, de Stefani's views are worth the attention of all American business men and investors interested in the Italian situation. This article is a first hand authoritative statement, exclusive in THE MAGAZINE OF WALL STREET.

Switching from Weak to Strong Stocks

A security feature of great value in this puzzling market. Direct recommendations on over sixty important securities. No investor should do without this service feature.

Where to Obtain 6% from Bonds with Safety

A thorough digest of the opportunities presented in the bond market. Half a dozen bonds are recommended which not only offer a yield of over 6%, but which contain excellent profit possibilities. A feature conservative investors will welcome.

The Outlook for Wheat, Cotton and Corn

This article gives the exact crop situation in wheat, corn and cotton. It presents all the essential facts and is featured by a clear cut expression of opinion as to the future of the price movements in these three leading staples.

Three Attractive "Monopoly" Stocks

An unusual article describing the future possibilities in three unique stocks, two of which are practically unknown to the average investor.

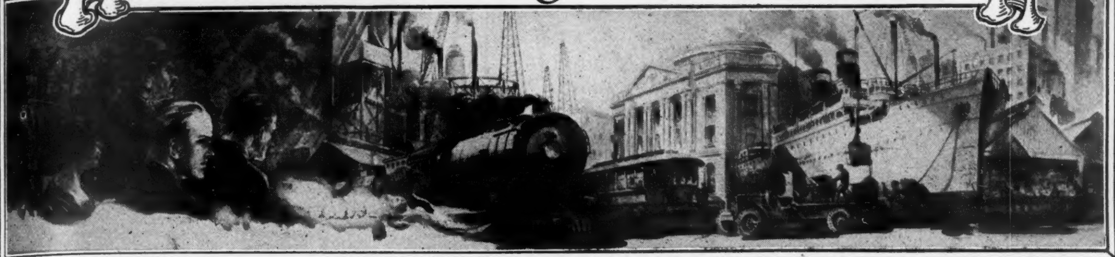
The "Loree" Merger

An analysis of this famous railroad merger, describing the possibilities still open to investors.

This issue is out of the ordinary both for the volume and quality of its investment and security suggestions. In this difficult market, you need the guidance of THE MAGAZINE OF WALL STREET more than ever.

Watch for the August 28 Number

The MAGAZINE *of* WALL STREET



EDITOR
RICHARD D. WYCKOFF

MANAGING EDITOR
E. D. KING

INVESTMENT & BUSINESS TREND

Investment Conditions Today—Florida Reaction—Present Day Economic Situation in Europe—Railroad Earnings on Up-Grade—The Market Prospect

SECURITY markets are rapidly becoming so broad and so diversified in respect to the types of issues available that it is becoming more and more difficult for investors to attack their problems singlehanded. When the stocks listed on the New York Stock Exchange amounted to only several hundred, the problem of selection was simple in comparison with today's market which represents over one thousand separate stocks and the list growing almost daily. To the investor, especially the inexperienced or new investor, the problem of making a satisfactory selection from such an imposing list of securities is a formidable one, indeed. When added to the New York Stock Exchange stock listings, one considers the several thousand bonds listed there, not to speak of the growing Curb market, the stupendous over-the-counter market and the scores of local exchanges, it would seem well nigh impossible for any but the most expert to invest with any degree of assurance that the securities selected would be the "right" ones.

Investors are coming to realize the significance of this situation and, hence, are more prone than ever to seek counsel from men who are professional judges of security conditions. As the technique of security and market analysis becomes more perfect—it must be recognized that the science is a relatively new one—investors will gain more confidence in available trustworthy counsel. It seems not a far-fetched conclusion that in time the average investor will no more take it upon himself to invest without securing expert opinion than he would undertake to try his own law case or cure his physical ailments.

FLORIDA'S REACTION

THE crest of the Florida boom was reached a year ago, and since that period results of the readjustment have become visible. A number of small banks have failed, though partly due to conditions not applicable to Florida. Real estate values, of course, have suffered considerably and the aftermath has been a fair drop in building activities. It seems reasonable to conclude that this process will continue for some time before the readjustment is completed. On the other hand, there is no reason to doubt Florida's future possibilities for growth. Not only as a winter resort but, more important, as a source of fruits, vegetable and lumber, this State has been under development for years and it is not at all likely to be affected by the real estate situation. Those who have looked upon Florida from a purely economic viewpoint and not as a haven for speculative real estate profits hold the belief that the State will become more and more a real producer of wealth.

EUROPEAN BUSINESS CONDITIONS

THE first half of 1926 has witnessed a very considerable slump in business in Europe. Strangely enough, the countries

least affected have been those where currencies have been depreciated especially France and Belgium. Central Europe, on the other hand, is in the throes of a depression and, owing to the general strike and continued coal strike, the United Kingdom is in a bad way. This will explain the considerable drop in European imports from the United States, especially in agricultural commodities, which in turn, of course, explains at least in part the unfavorable domestic situation in regard to our crop prices. It is inevitable that if conditions continue poor in Europe, their purchases from us and other parts of the world be curtailed. This unfortunate situation is simply only another reminder of the inherent risk in the purchase of European securities, an opinion which we have not hesitated to express for a number of years.

RAIL EARNINGS

JUNE reports at hand show that the majority of carriers are in receipt of splendid earnings. Total earnings for Class I roads come quite close to the 5¾% return allowed by the Transportation Act of 1920. As pointed out in another place in this issue (see page 748) the roads rather than place themselves in a position to show earnings in excess of the theoretical 5¾% return and thus subject themselves to the operation of the recapture clause, are reinvesting their profits in maintenance or improvements. Undoubtedly, this is having a considerable effect on increasing railroad buying of steel and other commodities and hence, is in part at least responsible for the current upward move in general business. On the security side, it seems logical to expect a number of roads to increase their dividends to stockholders who, unlike shareholders in industrial enterprises, have not participated much in recent years in the earnings of their companies. Furthermore, the excellent conditions of the carriers will facilitate stock financing and, hence, open up the way for "rights" and other rewards to patient holders. Of all the great stock groups, the rails are still in the most attractive investment position both as regards present and potential dividend return and as regards prospects for market appreciation.

DISINTEGRATION

UNDER cover of the enthusiasm aroused by the spectacle of the advance in General Motors and U. S. Steel, quiet liquidation has been developing in a number of different issues, due to specific conditions. A curious anomaly of the present situation is that business is very good with the strong companies and rather poor with those of lesser denomination. The announcement recently of several dividend cuts has gone by almost unnoticed but the list is growing, though confined mainly to those companies which have not profited much from the general increase of business in the past few years. Securities are in a weeding-out process, not likely to be disturbed even in the event of continued higher prices for the leading stocks. The market has become discriminating to a degree and the investor who counts on general market strength to save his weaker stocks is likely to meet with disappointment.

WAGES

THE large earnings of our leading corporations are giving ammunition to agitation for a revision of wages upward. Probably we shall hear more of wage demands before the year is out. Yet, it seems difficult to believe that the economic condition of the country will permit higher wages. The trend of prices is downward, broadly speaking, and the margin of profit is correspondingly reduced. Those fortunate companies in a position to expand mass production at a small profit per unit are making large profits but this does not hold good for the rank and file. Even in the case of companies making a very satisfactory earnings showing, there is a question of how long demand will continue and permit full-time employment of their plants. Many economists believe that for the present at least we have reached a saturation point in wages and that any general increase would be at the expense of profits. No one, however, expects a downward revision. The country has become accustomed to high wages and, while conditions will not permit an increase from these levels, there are few to advocate a reduction.

MARKET PROSPECT

A DETAILED review of the stock market will be found on page 738. This includes, in addition to a review of the market position, an analysis of business prospects, immediate and long-term. There is also a detailed statement on the money situation, and its possible influence on securities. We also desire to call attention to our Mid-Year Dividend Forecast starting with page 758.

65% of Europe's War Debt Cancelled: Should We Cancel Balance?

What Some of the Country's Most Influential Men Recommend

As told to THEODORE M. KNAPPEN

TWENTY-TWO billions of dollars within 62 years. It is so nominated in the bonds that thirteen sovereign nations have given or have agreed to give to the United States in adjustment of their war loans.

The progress of the funding of the war debts of our allies to us as a nation has been marked by a growing volume of discussion concerning their cancellation.

All the debtors hope for cancellation, most of them regard them as technical debts rather than moral obligations, and reflection concerning them has blossomed into bitter emotional outbursts against the United States. We hold at once the world's bonds and the world's dislike.

Some of our people agree with the allies that the debts are no true debts at all, that they are really a just part of our own war bill, and that our own self-respect and conscience urge their cancellation. Others hold that though the debts are legally and morally binding, practical considerations of domestic business and foreign trade require their cancellation. Others are not moved by ethical considerations, but hold that since it will be mechanically impossible to collect the debts, no matter how solemn the funding agreements, the sooner they are disposed of by cancellation the better.

On the other hand, it is generally taken for granted that the great mass of public opinion firmly demands the settlement of the debts as stipulated in the bonds and holds that the debts are just, generously adjusted and must be collected in equity to the American taxpayer who will have to pay them if the borrowers do not. Some of the latter class admit that the economic mechanisms of settlement do not now exist, but that is not a source of displeasure to them, for they hope that the pressure of collection will lead to tariff revision, and the issue therefrom of the machinery of transfer of vast sums from Europe to America and a new and unprecedentedly extensive era of beneficent and prosperous foreign commerce.

One of the most inexorable opponents of cancellation, at least of that part of the loans actually advanced after the armistice, is Senator Borah. Yet there is no more liberal and humane member of Congress. Borah, it is supposed, opposes cancellation because he does not think that Europe is in a mood worthy of it. It does not appear to him that we should bestow upon Europe an international gift beyond all precedent when Europe is still so nationalistically minded. To deserve such benevolence from us, he thinks, Europe should give some signs of good will among nations. It would be a waste of wealth and worse to relieve Europe of eleven billion dollars of obligations when it is still supporting enormous armaments, thinking in the terms of the old selfish nationalism and building up the diplomatic rigging for another war. While Senator Borah has never publicly said so, those who are close to him assert that eleven billions would not mean any more to him than a copper cent if their sacrifice could give the world a new and regenerate Europe. These are the views of the powerful chairman of the Senate Foreign Relations Committee, who aspires to be President.

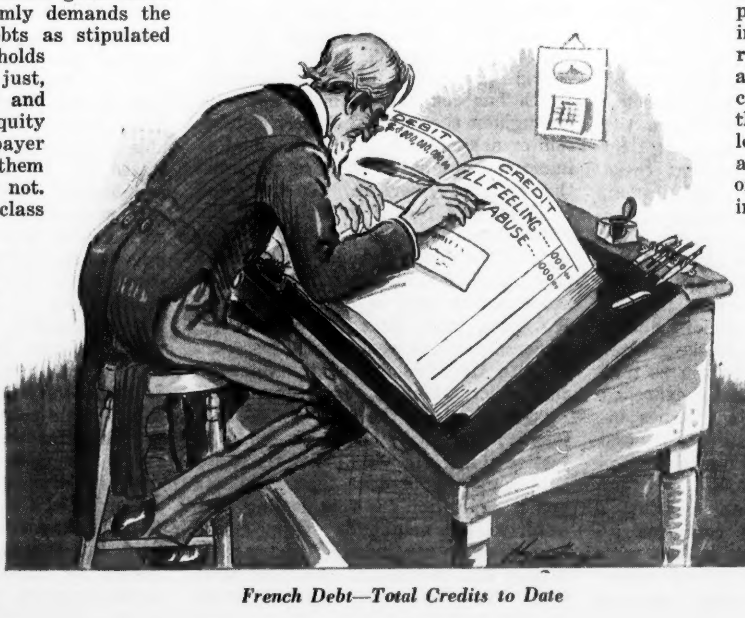
One of the most striking views on the subject of debt cancellation is held by A. Piatt Andrews, Representative from Massachusetts. His view is that:

"No one who follows closely the trend of American opinion in the press and elsewhere can fail to note the growing unsettlement of American thought upon the war debt question. This is not only shown by the multiplying expressions of doubt as to the wisdom and justice of our government's policy, but it is even more strikingly shown by the rapid shifting of ground on the part of that policy's defenders.

"We have been told for years by officials of both the executive and legislative branches of the government that the allied war debts were not only legally but ethically like any other debts. It has been iterated and reiterated that 'there would and could be no cancellation.' It has been repeatedly asserted that cancellation would mean higher taxes for the American people, and it has been as often implied that the liquidation of our own Victory and Liberty Bonds seriously depended upon the recovery of principal and interest from the Allies. Such pronouncements from men in high authority have until recently been accepted without much examination or question. But of late it is coming to be recognized that not one of these assertions holds water.

"The claim that our taxes would have to be increased if the war debts were scaled down has been nullified by the rapid succession of tremendous tax reductions before allied payments were forthcoming. The claim that the repayment of our Liberty and Victory Bonds was contingent upon the settlement of the allied war loans has likewise been answered by a reduction of almost a billion dollars in our internal debt each year since the armistice, and the likelihood, if the same conditions continue, that all of our bonds will have been paid off and we shall have no national debt whatever at the end of another twenty years.

"It has been recalled to public attention, too, what many had apparently forgotten, that the advances made



French Debt—Total Credits to Date

to the Allies in 1917 or 1918 were not regarded at that time as ordinary borrowings, but according to the opinions expressed by the leading spokesmen of both parties in both houses when the loans were authorized, they were recognized to be the only means available to us 'to fight our battles until we were prepared to fight those battles ourselves.' We have been troubled to learn, too, that during the fourteen months after we declared war, and before we were able seriously to take part in it, France alone lost, in holding the common enemy back, nearly 1,385,000 killed (or nearly four times our total casualties during our entire participation) and over two and a half million wounded. More and more of our people have thus begun to question whether in view of such indisputable facts, we as a generous and fair minded people have a moral right (admitting the technical legal right) to demand or even accept what amounts to repayment for the uniforms which these men wore, and the guns and ammunition which they used when they died or were mutilated in battles that were ours as well as theirs.

We Have Already "Forgiven" 27 Billions in Europe's War Debt

Comparative War Debt Statistics

— In Millions —

Country	Original Loans	Funded with Interest and Adjustments	Total to Be Paid	Total at 5% 62-Year Amortization***
Belgium	$377	$417	$727	$1,458
Czecho-Slovakia ..	91	115	312	375
Esthonia	13	13	33	45
Finland	9	9	21	29
*France	3,340	4,025	6,847	13,414
Great Britain ...	4,577	4,600	11,165	14,987
Hungary	2	1	4	6
Italy	1,647	2,042	2,407	6,543
Latvia	5	5	13	18
Lithuania	4	6	14	19
Poland	159	178	435	587
Roumania	36	44	122	147
Jugo-Slavia	51	62	95	198
**Totals	$10,316	$11,924	$22,203	$37,832

*Funding agreement not yet ratified by Congress or French Parliament. Funded amount includes 400 million purchase of surplus war material from U. S. Funded amounts of different debts were variously determined. Note how much easier France and Italy (especially) got off than Great Britain.

**The loans to Armenia, Austria, Greece, Liberia, Nicaragua and Russia, aggregating $244,000,000, have not been funded and bring the full total of the original loans up to $10,600,000,000.

***All the debts were contracted at five per cent interest. This column shows what they would have amounted to without interest concessions if amortized over sixty-two years—the period of the actual settlements.

"The old arguments for a stern enforcement of these war claims against our partners in the war, which probably motived our persistent prodding and gunning of these partners, have all been seriously undermined. And people in all parts of the country have begun to voice grave doubts, not merely as to the necessity but as to the expediency and indeed the fairness of our pressing claims against former partners, now stricken with bankruptcy.

"It is not strange, therefore, to find the defenders of the old policy quickly shifting their ground, and resorting to new lines of defense. The American conscience once aroused can not be tranquilized by arguments directed merely to the pocketbook. Even the debt collectors begin to sense it. So having told us for years that there would be and could be no cancellation, and having assured Congress and the country only a few months ago that there had been no cancellation in the settlements arranged of any of the amounts originally borrowed, now in the face of changing opinion, and a growing inclination toward greater leniency, they suddenly inform us that the United States has really cancelled all of the debts which the Allies incurred for carrying on the war, and that we are only asking for the repayment of the post-war loans.

"This very belated and confusing discovery unfortunately conforms no more with the facts than it does with the previous declaration of the collectors. The terms arranged demand from France payments totalling 205 per cent of all that she borrowed both before and after the armistice, from Belgium 193 per cent, from Italy 146 per cent. We are asking from France not only the return of the principal, but an amount of interest more than again as much, and from Belgium only a slightly less proportion of interest.

"People in authority are continually reminding us that 'we occupy a position unsurpassed in former human experience.' And it is obvious to everybody that we are the most fortunate, the richest, the strongest nation in the world today, or that probably ever has existed. Fundamentally, however, the American people are quite as jealous of their good name as they are of their own well being. The reported generosity of one Jeremiah Smith has commanded more applause throughout the union than any acquisition or achievement of any financial or industrial magnate. We are all proud that he is an American. We are proud of America's record in Cuba and the Philippines. We are proud of the return of the Boxer indemnity and many other acts of similarly generous character on the part of our government. We were more proud of the moral leadership of the world which was ours in 1918 than we are of the financial domination which is ours today.

"Our people in the long run will not tolerate any situation which seems to justify the world-wide belief that they hold money more dear than good will and a reputation for fair dealing with unfortunate neighbors. Our representatives, in my judgment, have made a very sad business of this debt question. They have acquired for America, not money (which everybody knows that we will never get), but the stigma of a bad name, totally at variance with our traditions, and not at all in keeping with our real intentions."

Among the foremost leaders of the cancellationists is Richard H. Edmonds, of Baltimore, editor of the Manufacturers' Record. Curiously enough, however, Mr. Edmonds does not rest his contention mainly on business grounds. It is a question of moral right with him. Mr. Edmonds states his position, for THE MAGAZINE OF WALL STREET, as follows:

"Viewed from every standpoint, economic and ethical alike, one of the greatest questions which this country and the world face is that of the *alleged debts* of the Allies to the United States.

"I have long urged with all the power at my command that these debts should be cancelled on the moral ground that we owe to the Allies far more than they owe to us. If every one of our Allies were abundantly able to pay the alleged indebtedness to the United States, I would still hold that our own honor demands that we should cancel these debts.

"From the day when the United States, forced by the war which was being made upon us by Germany, entered that contest, to the day of the Armistice the Allies were fighting our battles just as they were fighting their own. If they had been defeated, triumphant Germany would have turned the whole force of its conquering army, its own fleet increased by the surrendered fleets of Great Britain and France, against the United States, and at that time we were wholly unprepared to meet such a situation. Let it never be forgotten that Germany was making war upon us, making it with all the power at its command and with a bitterness which would have been tremendously intensified if Germany, having conquered the Allies, was able to undertake to conquer us. As stated by President Wilson and by members of the House and Senate, all that we could do when we entered the war was to lend our financial assistance to the Allies since we were not prepared to put our own men on the battle-front. We advanced money for the purchase at exorbitant prices of munitions and foodstuffs in this country. The Allies put into the battle-front the very flower and cream of the life of their people. We ought to have prepared for the emergency and been ready the moment war was declared against Germany or rather the moment we accepted Germany's gage of battle to have put a million men on the battle-field, but it was about fifteen months before we were able to do anything toward making a real fight. Hundreds

of thousands of our men were thus saved from death while hundreds of thousands of the soldiers of the Allies died during the fifteen months when we were not ready to go to war.

"That we should now undertake to collect from the Allies the money that we advanced in order to enable them to make our fight, is in my opinion out-Shylocking Shylock. Our honor is at stake if we do not cancel these debts; from the viewpoint of our own honor, history will write us down in a way which will make every American hang his head in shame.

"My advocacy of cancelling these debts has always been based upon the moral responsibility as a nation we owe to ourselves. In addition, however, to this, it is well to bear in mind that these debts hang like a mighty pall over Europe; they throttle the life of Europe; they are naturally and inevitably causing a burning hatred throughout Europe to the United States for the people of Europe fully understand that on no moral ground can we possibly demand the payment of these debts. If, therefore, we should cancel them without any pharisaical commendations of ourselves but on the basis of a duty that we owe to ourselves, we would at the same time lift a mighty load of poverty from all our Allies, we would give them new hope, new enthusiasm and America would once more stand four square to all the winds that blow, having preserved its own honor and in doing so, having rendered a service of incalculable value to civilization.

"We made the eternal friendship of China because we returned to that country the Boxer Indemnity, refusing to accept our portion of it. No one can possibly question the fact that our action in that matter has been of immeasurable value in creating in China a spirit of friendship for America and thus doing this country a vast amount of good.

"The reasons for cancelling the Boxer Indemnity were triflingly small compared with the reasons for cancelling the indebtedness of the Allies to us.

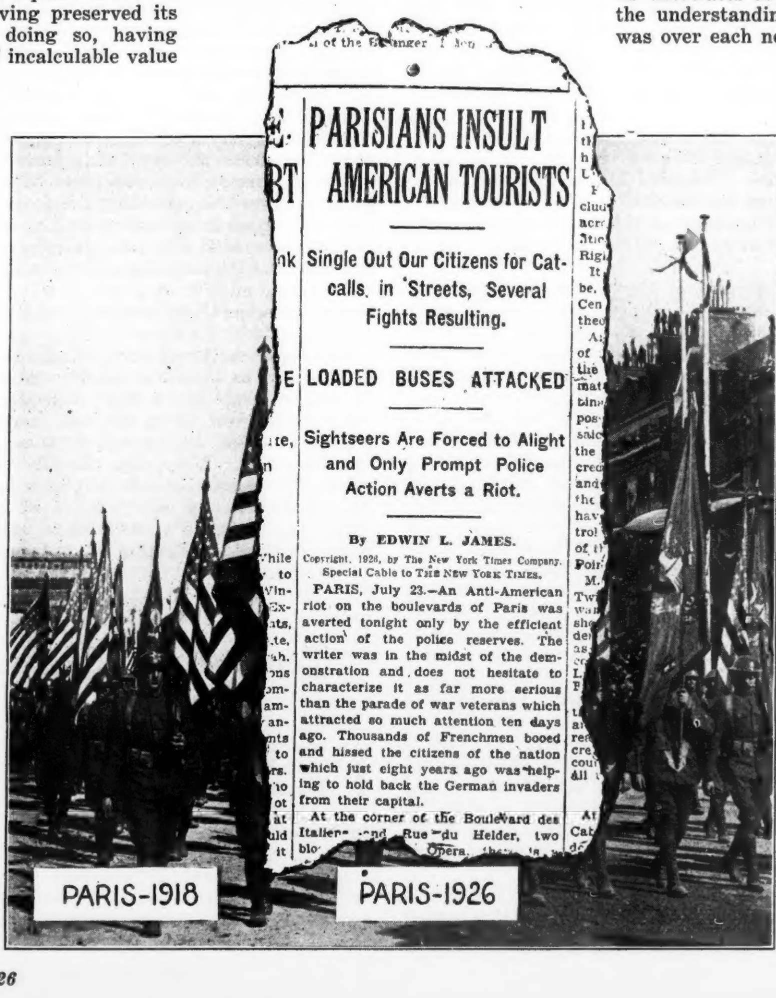
"With the cancellation of these debts, I am firmly convinced that there would be developed throughout Europe a spirit of friendship to America taking the place of the hatred that now exists, and I say advisedly, justly exists. We would in this way stimulate the economic restoration of Europe and in that very fact we would find enlarged prosperity of the United States. We cannot continue to prosper unless the world prospers, we cannot continue to influence world affairs for good unless we give an example to the world of honor, integrity and world friendship, and all of these things are involved in the prompt cancelling of the debts of the Allies—the debts so called but which in my opinion are not debts. Perhaps legally they may be debts but I doubt that, for I believe in view of the way in which the loans were made, if the whole situation could be properly presented before the Supreme Court of the United States, that body would declare that we had no real legal right to collect these debts. Certainly there is not in my opinion the shade of an excuse for collecting them on moral grounds since we cannot do that and maintain our own honor."

As a foil to Mr. Edmonds' stand on moral grounds let us turn to Representative Cordell Hull, Democrat, acknowledged to be one of the leading economists of Congress. Mr. Hull finds it rather disconcerting that the Allies should think so poorly of us for doing only what they implored us to do. To him the debts are valid in law, equity and international morals; cancellation would neither better business at home or extend it abroad. But he has an idea about using them as "trading stock" in negotiations for a new international "deal" that is interesting, even if not convincing.

"The subject of the cancellation of the 'political' debts to us of the nations associated with us in the World War would never have arisen if we had not muddled along in our international relations, and the politicians of Europe had not found desperate need to excuse their failures to their people.

"During the war no one ever thought of these loans as other than a piece of emergency financing among the Allies. It never occurred to anybody in France, England or Italy that we were Shylock money-lenders, driving a hard bargain with friends and associates. On the contrary they all rejoiced that with the entrance of the United States into the war it became possible to finance the further prosecution of the war by each of the associates. There had been a general understanding among the Allies that each of them would pay its own way in the common effort. As a practical undertaking, however, it was found to be impossible for each nation to pay cash for supplies bought from others. So a system of credits was established whereby each ally settled for the purchases of its associates from its nationals with the understanding that after the war was over each net debtor nation would issue acceptable obligations in settlement of balances. We simply entered into an established system, threw open the resources of our continent to our associates at the same time that we were drawing heavily upon them for our own military equipment, took the I.O.U.'s of the various associated nations and left the details of settlement to the future. Not only that, but through our War Industries Board we saw to it that our friends were not held up by profiteers. They got the same prices from our producers that our own government got. Moreover, we were wisely considerate enough not to press for an adjustment of the debt soon after the close of the war.

(*Please turn to page* 778)



PARISIANS INSULT AMERICAN TOURISTS

Single Out Our Citizens for Catcalls in Streets, Several Fights Resulting.

LOADED BUSES ATTACKED

Sightseers Are Forced to Alight and Only Prompt Police Action Averts a Riot.

By EDWIN L. JAMES.

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PARIS, July 23.—An Anti-American riot on the boulevards of Paris was averted tonight only by the efficient action of the police reserves. The writer was in the midst of the demonstration and does not hesitate to characterize it as far more serious than the parade of war veterans which attracted so much attention ten days ago. Thousands of Frenchmen booed and hissed the citizens of the nation which just eight years ago was helping to hold back the German invaders from their capital.

At the corner of the Boulevard des Italiens and Rue du Helder, two blo...

The Outlook Up To Year's End

How Vital Influences on Business and Securities Are Likely to Shape Up During Next Few Months

Business
By ROBERT E. STANLAWS

Money
By WM. J. BLECH

Securities
By E. D. KING

THE accompanying articles describe the major factors involved at present in the business, money and security situations and how they are likely to work out until the end of the year. Necessarily, these factors can be discussed only in their broadest terms. While it is possible that special conditions (wars, political upsets and the like) may develop which would offset the conclusions reached, nevertheless, barring such unexpected developments, the accompanying analyses should contain considerable value to the student of conditions in the business and security worlds. We have not hedged or in other ways dodged the issue, but have clearly set forth our opinions and conclusions as we see them.

Nearby Business Outlook Good But Long-Range Future Uncertain

AMERICAN business has been sailing smooth seas. A gentle ground swell has supplanted the former characteristically pulsing waves of prosperity and depression. Variations in trade and industry have assumed the appearance of a mildly undulating cycle, unmarked by the irregular troughs and valleys of earlier times. Business, in other words, has assumed an unfamiliar aspect of relative stability.

True, a rather sharp recession in the closing weeks of the first quarter of 1926 caused business men to take a more sober view of the future. Schooled in the experiences of the past, industry viewed the marked activity of late 1925 and early 1926 as a forerunner of old-time reaction. But while the recession did come, its extent and severity have been exceedingly mild.

More recently, the exceptional showing of the steel industry, the sharp recovery in the security markets, and sustained volume of distributive trade, as expressed in record freight car loadings and bank clearings, would seem to have stilled the voices which would sound a note less optimistic.

From the viewpoint of nearby prospects, there are numerous factors which are not favorable. The leather trades occupy an uncertain position and textiles show little promise of moving from under their present cloud of gloom. The situation in agriculture leaves a good deal to be desired, since crop prospects are not altogether encouraging at the moment.

These soft spots, however, are offset in considerable measure by items of more favorable immediate portent in other parts of the industrial fabric. There is the possibility that the crop situation will improve before harvest time, of course. Then again, despite the disparity between farm and industrial purchasing power, mail order and farm implement companies are showing good gains. The lull in motor car sales and production seems no more than seasonal and has started from an exceptionally high level.

Retail distribution is holding at high levels, inventories in the majority of manufacturing and distributing hands are not excessive. Credit is sufficiently abundant for all reasonable needs. Finally, though employment is slightly lower and wages remain at a more or less fixed level, purchasing power is not likely to lose its potency at an early date.

The immediate prospect, therefore, justifies the feeling of greater assurance which now prevails, insofar as this sentiment recognizes the probability that nearby improvement seems bound to proceed irregularly and with a continuation of the numerous cross-currents now prevalent.

A view of the longer range possibilities must be tempered with decidedly greater qualifications. Despite the apparent absence of untoward influences in the present business situation, its very stability is symptomatic of developments which seem bound to exert a more forceful influence in shaping the future. Thus, the fact that stocks of goods have generally been held to moderate proportions follows from the fact that consumers fear to anticipate their requirements. This cautious attitude, in turn, is predicted upon the lack of firmness in commodity price levels.

For many months, prices have drifted slowly downward. Producers have vainly sought to stimulate orders by raising quotations at odd times. The recent advance in certain steel products is an example. But these efforts are not meeting the same response as formerly. Hence, while production has been well sustained by the aggregate day to day demand of consumers, its adjustment to current demand is rather too fine to be altogether assuring.

To elaborate, business indisputably is being conducted under highly competitive conditions. The steady lowering of price levels while wage costs have remained static has driven manufacturers to spend large sums upon improvements. These have taken the form of labor-displacing devices, for the most part. While these have tended to protect the narrowing profit margin against extinction, industry has not been relieved from its incubus of excess productive capacity by reason of the greater mass production flowing from this steady accretion of improvements and additions.

The net result, therefore, has been to force the manufacturer to set his operating schedules at the highest possible pitch in order to overcome the constant threat of increasing overhead expense. In other words, industry is in a dilemma. Price levels are too close to costs to leave a comfortable margin of profit. At the same time, it is difficult to increase them without curtailing the volume of new business.

So long as nothing occurs to upset the pace consumption or destroy the tempered confidence of buyers, output can be held at levels which will maintain earnings by virtue of volume turnover. It is obvious, however, that even under these conditions, the position of the smaller units is growing less favorable. A weeding out process, most pronouncedly evident for some time past in the motor industry, is underway in practically all quarters of the industrial world. While this struggle of survival is underway, therefore, we may anticipate a further tendency toward narrowing of corporation profits.

Temporarily Higher Money Rates Forecast—

IT has become a commonplace that the supply of loanable and investment funds in the United States is today so plentiful that there is no possibility of an advance in money rates. Or, as one leading bank phrases it, the great demand for capital investments in the United States is growing at such a pace that prime securities (bonds) will have to advance despite minor recessions, to a point where permanently lower money rates prevail.

It is vaguely stated that gains in deposits have exceeded

growth in commercial loans in the centers outside of New York. At present, most Federal Reserve districts speak of an excess of deposits over loan demands. Bond yields have been consistently low. It is therefore, felt by many that money rates will continue to decline this year.

No criticism of the foregoing beliefs can afford to overlook their basis in fact, and, latterly, their fundamental significance. There can be no disputing that until the present a plethora of funds greeted every upward move of the money market, and brought it down below its previous level. And, as a long-term description of money rates, the downward tendency can be considered axiomatic. As capital is accumulated in greater and greater amounts, and as intensity of international competition and merely normal domestic profits continue, we are likely to see a long-term decline in money rates and an upward trend in the price of fixed interest obligations. But none of these fundamentals can throw any light on the question as to whether or not money rates for the late summer and autumn of 1926 will be higher or lower.

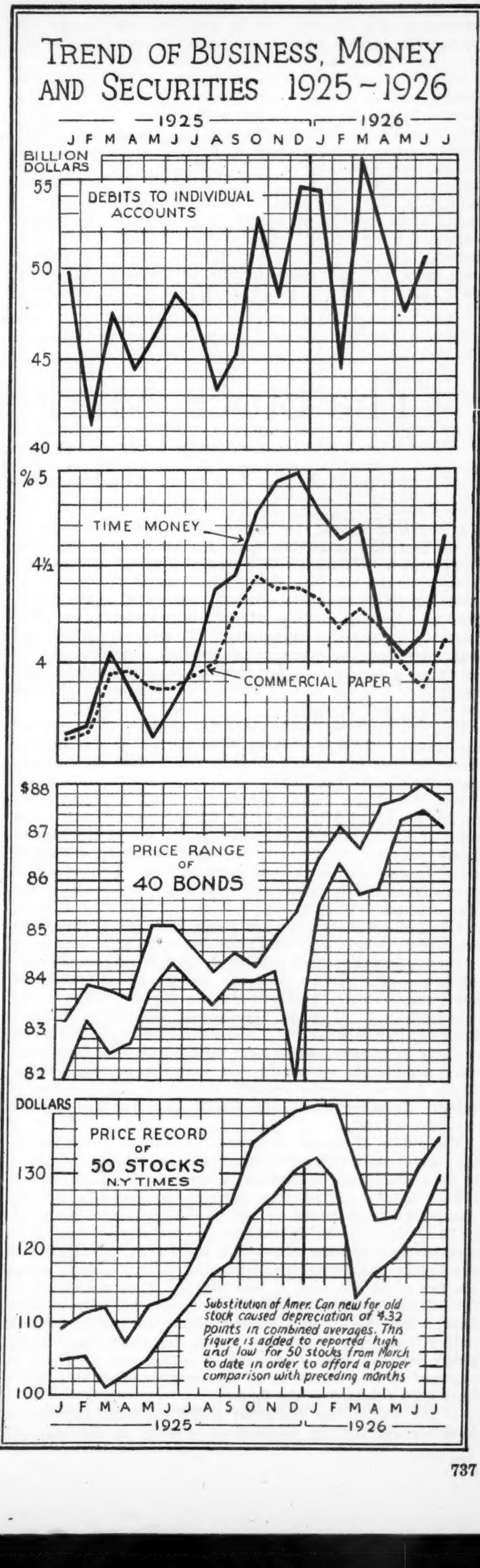
The money rate is influenced by many considerations, the chief of which on the supply side are amount of deposits and proportion of funds seeking permanent employment. On the demand side the amount of capital flotations, volume of brokers' loans, both time and call, demand for commercial accommodation, real estate temporary and mortgage loans, commercial paper, acceptances, etc., are the principal factors the operation of which conduce to pressure on the supply of money. Agricultural demand remains large, although diverse methods of financing farming have somewhat diminished the importance it once held.

Member bank deposits are now about 20 billions, or one billion less than at the beginning of 1926. But while deposits have declined about a billion dollars, loans and investments have declined by only 200 millions. Here the demand side emerges as stronger than the supply. These results are tabulated to April, when money rates were rising to their high and broker's loans had been cut sharply by the market decline of March. On the other hand, demand for capital investment had undoubtedly grown faster than offerings, so that "bond hunger" became a familiar term. But a definite *volte face* has occurred, bringing bonds down a half point from their high in June. Our unlisted public utility bond index shows a four week average increase in yield from 5.38% to 5.48%. Evidently, the withdrawal of the United States Treasury from the short-term market had pinched the shoe, but once this gap in supply was overcome, the equilibrium of capital supply and investment demand seemed restored. Short-term bonds (two-year maturities) showed this influence, and bore the brunt of the reaction.

Not only the decline in bond prices, but the aspect of money rates showed the autumn influence. Not only would the Treasury market securities in September, changing one aspect of the situation, but time money has taken precedence over call money. At first, this was explained by the large maturities of time loans made by brokers in April and May coming due in July and August. But why are not the funds present to renew? Obviously, the banks are conserving their funds for the autumn. Hence time loans to brokers, maturing when funds will be most needed, in October and November, have been in demand at 4½% and lenders are now asking 4⅝-4¾%, and undoubtedly private transactions are being effected at the lenders' price.

Although brokers' loans made by 61 member banks in New York have declined from 3.138 billions on February 17th to 2.602 billions on July 14th, they are still higher than they were a year ago: a period at which money rates began a temporary climb. Member banks in the U. S. show loans and investments 900 millions greater than at this period last year, of which 385 millions represents securities loans, 340 millions commercial loans and 175 millions investments.

Apparently, the increased pressure since last year is greater than the gain of 9% in debits to individual accounts in the same period. It is the deliberate opinion of sound critics, then, that brokers are bidding for time accommodation rather than renewals because they feel that they will obtain a lower rate in that way, or, to put it reversely, they feel that money rates are going up and they wish to protect themselves. On the other hand, the lenders fear



that such a tie-up will not leave enough funds for autumn commercial and farming needs, and they are firming the rates. The largest bank in the country cannot see lower rates for commercial loans than prevail today.

Despite an upward curve of prices on the Stock Exchange, rediscounts of acceptances have gained in the Reserve system, thus indicating that the present rediscount rate is a bit too liberal, and that the banks still prefer brokers' loans to acceptances in portfolio. Hence, listless rumors have circulated as to an increase in the New York rediscount rate from 3½% to 4%, which would be in alignment with the other reserve banks. That such rumors should have credence is a sign of pressure in the money market, and the step would not appear illogical at this time. Naturally, present New York rediscount rate makes acceptance rates and call loans against acceptances artificially lower than the context of the market would indicate. For example, second grade commercial paper is bid at 4¼%, and choice names at 4% as against 3¾% recently. At the same time, call loans against acceptances were marked down from 4% to 3½%. This is all an excellent commentary on the efficacy of the rediscount rate.

With bond yields static or receding, time loans at a premium over call loans, demonstrated illogicality of prevailing rediscount rate, money rates must rise to levels higher than May-June low rates, and perhaps show a slight advance over late July rates. As our business study indicates, no sharp upturn in commerce is likely to be encountered that will bring the pressure of commercial demand to a point where money rates will advance far beyond present levels. A somewhat higher level, say ½% on time loans, is about all that can be expected. In other words, money rates may advance a bit at this time but should slacken in several months.

The Stock Market: Present Position and Outlook

IN the July 3 issue, the writer had occasion to refer to the fact that leadership in the market advance was concentrated in stocks with powerful banking connections. It was pointed out that stocks like General Motors, U. S. Steel, Reading and others generally associated in the public mind with leading banking interests were becoming the focal points of tremendous speculation. It was also mentioned that these banking interests presumably were in favor of continued higher prices for stocks. It was assumed that manipulation of the leaders was used as a leverage to bring the public back in again.

It is now about six weeks since this analysis of the market was made. Even a cursory examination of the market record in that period will show that the above assumptions were abundantly justified.

The *New York Times* averages indicate a recent high, for the combined fifty stocks, of 133 comparing with a low point of 113. Railroad averages, at 95, are at the highest figure since before the war, and have measured a gain of a full 15 points since the low point of 1926. Several stocks have advanced fifty points and more since the bottom of the March break.

Two million share days are again with us and the front pages of newspapers are once more decorated with news items of the big advance. Yet, a little study will indicate that the market, except for the railroad issues and a handful of industrials (mostly high-priced) has not enjoyed a really broad advance. If stocks like General Motors, U. S. Steel, Reading, Baltimore & Ohio, and others, probably thirty-five or forty in number, which have mainly enjoyed an advance, were eliminated, we would find that the average run of stocks has not proportionately shared in the increase of values. In other words, the market thus far has been an exclusive affair.

The public, of course, as usual is stimulated by the important advances which have taken place and is participating in increasing numbers but not nearly to the extent of last fall or winter. Either the average speculator is too disillusioned by the losses he had to take in February-April, or he is skeptical of the reasons for the market rise. It is a rather extraordinary fact that, after over two months of practically uninterrupted advance in stocks, brokers' loans are far below the peak of last winter. They now stand at 2.6 billions against 3.1 billions in February. Since early June, when the advance started, there has been a gain of only 100 millions in brokers' loans, less than 4%. If the public were as heavily engaged in speculation as would be assumed to be the case in an advancing market this would have been reflected in the figures.

If the public has abstained relatively from speculation how account for the tremendous activity in the market? If an opinion may be ventured, it would seem that the bulk of speculative transactions are professional in origin. They are either for pool account, floor traders, or that small army of outside traders who inhabit board-rooms. Under pool account, may be classed the very important speculation directly under the auspices of bankers.

Casting a rather significant light on the situation was the recent remark, attributed to Mr. Thomas Cochran, partner of J. P. Morgan, in which he stated that General Motors, then selling slightly under 200, should and would sell 100 points higher. J. P. Morgan & Co. are bankers for General Motors. After this statement, which later had a technical denial, it was commonly accepted that the Morgan firm was not averse to continued public speculation in the leading automobile security.

The public, however, continues to show what under these circumstances amounts to a striking lack of interest in the career of the stock market, though current interest is somewhat greater than that of a few weeks ago. It is possible, of course, that they may soon cast off their indifference and thus arrive on the scene at a time which would facilitate pool distribution, in which event after due course, it may be assumed that the public would "hold the bag" as usual. If, on the other hand, contrary to precedent, the public does not partake as heavily as the insiders would wish them to, it will be they and not the public who will be "holding the bag." In this case, it is more than likely with a market which is as honeycombed with "stop" orders as the present, a violent reaction could ensue. We are not here forecasting such a reaction in the near future but the investor must consider this possibility.

There is a determined effort to paint the business picture as favorably as possible and thus stimulate the public imagination in the possibilities offered by the stock market. This is quite a familiar detail in stock manipulation. At the same time, one now again hears of fabulous corporation profits and the possibility of stock dividends, large cash payments and the like. There are, of course, a number of corporations in a position to thus reward their shareholders, possibly as much as two or three per cent of the entire list. The unfortunate shareholder, however, of a company not in a position to pay such dividends, obviously cannot look forward to very high prices for his stock. As a matter of fact, the average corporation today is just content to earn a fair amount on its capital, with a considerable amount of effort, and the shareholder should not look forward to unusually liberal disbursements.

Very recently there has been a tendency for market activity to broaden out in issues previously not influenced by the great speculation conducted in the leading issues. This is a reflection of increasing public interest to be sure but

it is noticed that interest in these issues is not being sustained and that current speculation continues mainly to be centered in the same stocks which have led the advance.

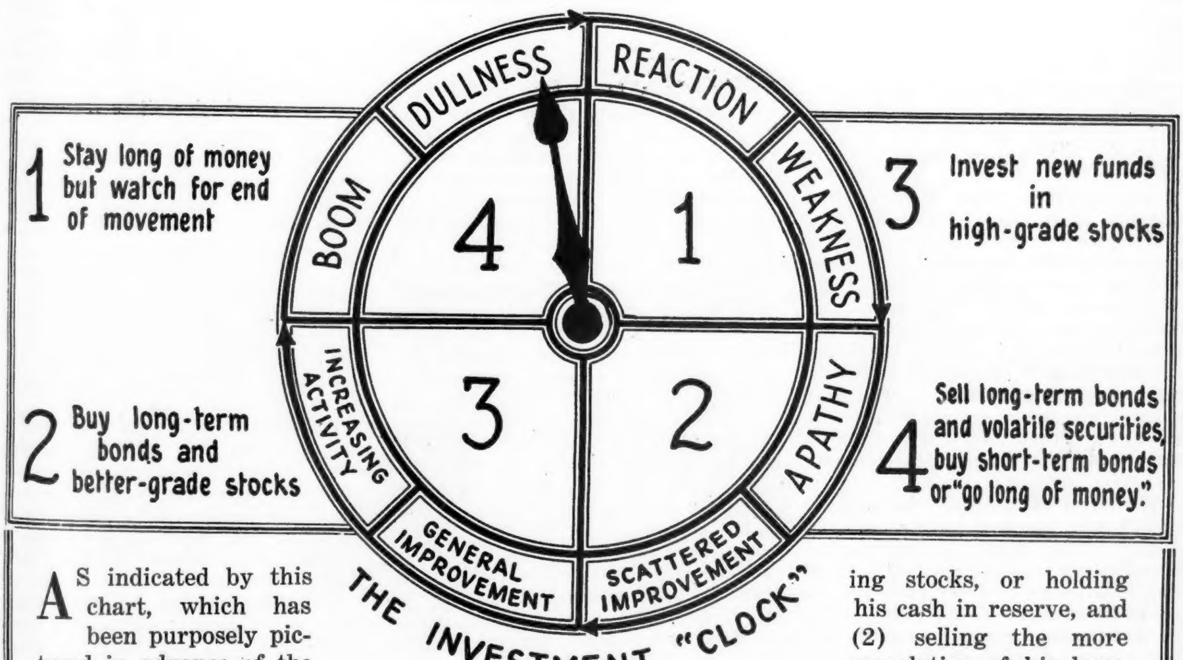
The market is still, therefore, in its professional stage and, hence, the generating force behind the rise in leading issues is largely artificial in character. From the professional viewpoint, it is fortunate that money is still abundant and relatively cheap. Otherwise, it would be entirely impossible to continue the advance.

One of the truest tests of the position of the market is the yield level of typical stocks. If one takes the leading issues in the more important groups, he will notice at once that the yields are disproportionately low. Hence, it may be argued that they have more or less discounted future possibilities by way of dividend increases or stock "melons." U. S. Steel, for example, now yields only 4.6%; General Motors, on the basis of its regular dividend, only 3½%; American Can 3.2%. On the other hand, a number of stocks can be found to yield 7 and 8%, but these are the weaker issues and they have responded but little to the upward tendency in the strong stocks.

Hence, the investor is faced with a dilemma. If he buys the high-priced issues he must buy them on a speculative basis since, as their low yields show, they are no longer attractive as investments. If he buys high-yield stocks, he takes an equally speculative risk, since, as indicated by their large returns, their dividends are not as secure as they might be. Still, with careful discrimination, the investor still has open to him the opportunity of purchasing sound stocks, with a fair yield and with good future prospects. These, however, today are in the minority.

Analyzing the situation more specifically, we find that a number of railroad issues are still attractive, viewed as investments, that here and there after careful searching one may find an under-valued industrial or public utility stock but that there is little reason for a bull market in stocks generally except for the desire of important financial interests to manufacture such a market so that they may more conveniently distribute their holdings. This is precisely the time when speculators should be on guard against excessive commitments. The investor, of course, as always, still has his conservative opportunities.

It must be recognized, however, that the powerful banking support behind the market will not feebly give up its effort to encourage public speculation. Recent minor reactions were quickly met with support and this is a clear indication that market sponsorship is still of the best. Hence, the probabilities continue to favor higher prices for the time being in leading speculative stocks, whether warranted or not. Then, too, it must be remembered that there are still issues which are considerably behind the market and which will probably join the upswing. Among these are metal, petroleum, railroad and sugar securities. On the other hand, the extent to which speculation is developing in the market would indicate that its technical position is not as good as could be, and, hence, that what is known as a "healthy" reaction may be in order. From the more fundamental viewpoint, of course, as intimated previously, the general situation, while satisfactory, is not sufficiently good to warrant a protracted bull market. Therefore, when the market finally has reached the distributive stage, one might logically expect the ensuing reaction to be proportionate to the advance which by that time will have been concluded.



As indicated by this chart, which has been purposely pictured in advance of the present situation, the investor should now *commence* to pursue a more conservative policy in regard to his purchases. At present, we are in the boom stage of the market but this in due course will be followed by reaction. Hence, the investor during the next month or two must prepare himself. This he can do by (1) starting to eliminate the more volatile and speculative issues and switching into the sounder dividend-paying stocks, or holding his cash in reserve, and (2) selling the more speculative of his long-term bonds, switching into short-term issues, since the bond market for the present has reached a period of relative stagnation. In any case, the investor should start going over each of his holdings and ascertain whether or not they should be held or sold. This does not apply, of course, to investors who are holding investment securities mainly for income and long-term appreciation.

Investing in Brand New Industries

Losses Inevitable in Great Majority of Cases—A Safe Plan to Follow—What About Radio, Rayon and Electric Refrigeration?

By G. F. MITCHELL

Millions of dollars are lost by investors annually in securities representing brand new industries. Of eleven more or less important radio companies which were in operation two years ago, not less than five are now in receivership. Where their average price was 23, today it is only 4. Two other new industries now invite attention; what is the position of Rayon and Electric Refrigeration? These and other vital matters are discussed here as well as a safe principle to follow in investing in new industries.

THE peculiar psychology of the amateur speculator in stocks is never more forcibly brought out than in the attitude assumed towards the securities of brand new industries. His policy of "investing without investigation" is accentuated to a marked degree. Why bother with analyzing a situation when there is an opportunity to "get in on the ground floor" in an industry which is growing by leaps and bounds? With the rapidly accelerating public demand for its products, how is it possible for any concern to fail to make huge profits, no matter how flimsy its financial status may be? All other factors are subordinated to the one main consideration that a heaven-sent opportunity to obtain something for nothing has arrived, if only the inspiration can be put into execution without loss of valuable time.

Needless to state, the promoters of such enterprises are not slow to take advantage of this eagerness on the part of the public. In many prospectuses of new offerings there is an almost complete absence of data bearing on the position of the company with regard to assets or earnings, so that the would-be purchaser has no means of enlightening himself on these matters even if he were disposed to do so. Far from deterring him, however, the urge to buy is often so strong that he is willing to accept statements of the most general character in regard to the alluring prospects offered, especially inasmuch as they largely coincide with his own preconceived views.

The latest outstanding road to great wealth was provided by the radio industry. The rapid development of broadcasting brought an avalanche of new enterprises of every kind and description engaged in the manufacture or distribution of radio receiving sets and equipment. Coming simultaneously with one of the greatest of all bull markets, and at a time when new issues, with little regard to the intrinsic merits of the securities involved, were being absorbed with ridiculous ease, these offerings, in quick succession, were oversubscribed almost before the ink on the descriptive circulars was dry.

Here was a situation which in the nature of it could hardly result in anything other than disaster, and yet it is small wonder that the receptive attitude on the part of those less experienced in financial affairs was maintained when it is realized that a number of these issues had the ostensible support of prominent interests, who were perhaps themselves misled into too great enthusiasm over the immediate future of radio. It simply goes to prove that nobody's judgment is infallible, and it should not be taken for granted that an enterprise is sound merely by virtue of its connections with one or more individuals who have achieved success in other directions.

There is just one means whereby the speculatively inclined may sometimes benefit from a situation of this character. The overwhelming demand for the securities of a new and expanding industry in itself creates an artificial strength in the market for an undeterminable but usually brief period. If the purchaser were wise enough to accept the profits that are likely to be available after a few weeks and thereafter refrain from further commitments of the same type, well and good. Such action, however, is entirely at variance with human nature, and the only safe course for the conservative investor is to carefully avoid such issues, particularly when public enthusiasm regarding them is at fever heat.

In an effort to stem the tide and protect its subscribers, this publication took occasion to point out the inherent dangers in the situation during the latter part of 1924 when the craze for radio stocks was at its height. The following excerpts will reveal the purport of the article:

"What will the public reap from this whirlwind growth? Will it get in at the bottom and ride to riches on the current wave of radio speculation?" "Are the companies which are now crowding rapidly into the field building on secure foundations?" "Mere weed-like growth is no criterion of abundant flowering." "The greater danger is in speculation in stocks of the small independent manufacturers whose sole dependence is upon specialized sets, parts and equipment." "It would seem the part of wisdom to let radio stocks severely alone at this point. When the demand for speculations reaches the proportions of a craze, it is time to turn cautiously conservative and let the other fellow do the venturing."

Accompanying the article was a table setting forth various data in regard to a dozen of the most popular radio stocks at that time. Omitting Radio Corporation of America from consideration because of its acknowledged resources and more stable character, *the aggregate market value of eleven stocks was* 254, *an average of* 23. *At the present time no less than five of these companies have passed into receivership, and the market value of the same issues now totals around* 46, *an average of slightly over* 4. Such a wholesale destruction of values in less than two years time should but probably will not prove to be sufficient warning against similar occurrences in the future. The public is notoriously forgetful of its bitter experiences of the past in the investment field, and history has a way of repeating itself in these matters.

The point that is quite overlooked is that a brand new industry, although subject to spectacular expansion of output for a limited period, if only by reason of the novelty of the product, is at the same time especially susceptible to revolutionary changes during its early years. The lure of quick profits attracts many into the field who cannot hope to successfully survive the transformations that are bound to occur. Investigation and discrimination, instead of being dismissed as unnecessary in the belief that the industry is foolproof, are far more important than in the case of a seasoned industry. In the latter it may be assumed that processes are fairly well established, but in a field still in its formative stage, an investment running into large amounts may become worthless through the development of a superior process.

Overcrowding not only renders the position of individual companies insecure by reason of the intense competition created, but likewise jeopardizes the entire industry through the over-

production that is bound to ensue. Weakly financed concerns are sooner or later forced to liquidate their surplus stocks regardless of price in order to raise funds, which brings about a general demoralization which cannot help but make operations extremely difficult even for the soundly financed companies. This is well exemplified in the inability of the Radio Corporation of America to maintain adequate earning power this year and last in spite of its efforts to work for stabilization.

In the last analysis, the problems confronting every new industry are very much the same. It is always a case of the survival of the fittest. It has required more than a generation for the automobile industry to attain even partial stability, and its history has been a continual weeding out process. The number of companies now operating represents only a small fraction of the total since the motor car was first placed upon a commercial basis. Numerous factors have contributed towards this relentless process of elimination, but foremost among them are inadequate financing and failure to keep abreast of the times. It should be necessary only to visualize the enormous amounts lost by investors and manufacturers in the automobile industry, especially in its early years, in order that the dangers of attempting to get in on the ground floor of a new industry may be recognized.

Radio was peculiarly susceptible to overcrowding and overproduction on account of the comparatively small capital required to get the average business under way. It cannot be said that there is any situation existing or immediately impending that closely parallels radio. Prominent among new industries are rayon and electric refrigeration, but it so happens that both of these lines call for a greater investment of capital and a higher degree of manufacturing skill, so that up to the present time the fields are comparatively restricted and are controlled by a relatively small number of companies.

These factors serve to defer the initial saturation point. It should not be inferred that there is not a bright future ahead of all these industries, but it is these intermediate saturation points that raise so much havoc and force many companies out of the field. Consumption of rayon has grown by leaps and bounds, but there are indications that production has finally overtaken consumption, and that the paths of enterprises in this field will be beset by more difficulties than heretofore. The recent action of the dominant factor in the industry, Courtauld's Ltd., in cutting its dividend and the price of its product is not without significance.

The output of electric refrigerators has practically doubled every year, although not until 1925 did it reach sufficient proportions to permit of mass production. It is estimated that approximately 75% of the business is in the hands of five companies. Production is expanding now at a greater rate than formerly, and this will inevitably lead to the entrance of many smaller units in the field eager to obtain their slice of the profits. Mass production will make possible lower prices for the products. When prices begin definitely to approach those of ice refrigerators, there will be danger of too great expansion, as the small percentage which the present output still bears to the total of electrically equipped homes is such as to stir the imagination. Newly developed machines of doubtful merit will appear, and a repetition of the radio debacle is by no means improbable, although it should be less severe, as the absence of excessive competition heretofore has enabled the five leading companies to secure a fairly well entrenched position. It behooves the investor to be wary how he places his funds in either electric refrigeration or rayon from now on, particularly in the stocks of the newer and smaller enterprises.

Even though there is no exact parallel to what transpired in radio in sight now, it is well to adopt a cautious attitude at all times. With the rapid development of scientific research, the material for a new industry may be

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Playing the Market by Ear

What Investors Can Learn from the Methods Used by Insurance Companies in Investing Their Funds

By MARVYN SCUDDER

Mr. Scudder is one of the best known experts on insurance companies in the United States. For twenty years he has valued all the security holdings of insurance companies on behalf of the National Convention of Insurance Commissioners of the various States. The accompanying article, therefore, must be considered authoritative. It is recommended to the attention of serious investors.

IT has become an axiom that the investor has a much greater range of opportunities for profitable placement of his funds than was the case twenty years ago. The number of issues has increased, not only as to absolute amount, but also in scope of industries represented.

The net result has been that the market is not only larger, but that the variety of industries and countries represented has reduced to a minimum the number of booms and panics that can affect whole lists of securities. When issues were few, an unfavorable item of news would be reflected by a simultaneous decline of the limited number of issues. A great deal of obsolete Wall Street thinking about bull and bear markets has been carried over from that epoch to the present day, where it no longer applies.

This trend towards broadening the securities market has been noted, but has not before been measured. Fortunately, the insurance companies and fraternal orders were, in effect, subjected many years ago to a uniform annual valuation of all securities held by them either for investment, or which were acceptable to them as collateral. The writer has undertaken these valuations for this period, and as such has been enabled to survey year by year the intimate growth of such security holdings by insurance companies.

Insurance companies have been frequently advertised as great investment trusts. They are that *plus*, but, of course, they differ internally in many respects. Thus life insurance companies, especially mutuals, are conceived to be in something analogous to a trust relationship, and they are very much more restricted as to the character of their investments than fire and casualty companies. They invest heavily in real estate mortgages, both urban and rural, and secondarily in tax-exempt municipal bonds. It is this quasi-compulsory investment in municipals that has a measure of responsibility for the apparent disproportion of municipal bonds in the accompanying table.

Insurance companies' investment experience points a moral for American investors in that insurance companies have been successful investors. It is not amiss to say that income from investments alone, when compounded, have passed the 8% per annum average, through bull markets and bear markets, through low interest rates and high interest rates. This uniformity in successful operations makes this only specific study of their diverse commitments one of unusual interest to the critical investor.

Municipal Bonds Have Much Greater Scope

Increase in commitments in municipals is undoubtedly the most striking, though far from the most significant feature of the experience of insurance company investments. For example, the increase from 5,310 separate issues to 97,500 has been constant, that is to say, it has progressed at a fairly even pace, and every year has shown more issues held than the year before. Hence, all interest rates and tax-exemption features, as even legal stipulations are ruled out as explanations, and such commitments are revealed as the indispensable balance wheel of most insurance company commitments.

The increase in number of municipal issues from about 55% of all holdings in 1907 to nearer 90% today, does not merely show an increasing proportion of funds going into these placements, but rather the more obvious fact that the smallest civil subdivision can today issue and market securities with more ease than small, though substantial, companies. It is the discovery of the bond as a weapon of financing desired improvements by smaller civil subdivisions that is responsible for this amazing increase.

Here is a feature of municipal bonds, brought into sharp relief by insurance investment figures that has been greatly neglected. While criticism of municipal indebtedness has centered on the great increase in money value of these issues, it has not been noted that such obligations represent a larger diffusion of taxable capacity, that is, that such amounts represent many more communities. The principal source of this increase though has not been the number of civil subdivisions so much as the number of separate issues which each jurisdiction has put out. Separate bonds are issued against each specific improvement, and as such the number of issues will be multiplied.

A second factor has been the increasing proportion of commitments in Western and Southern bonds. For a long period, memories of pre-civil war, reconstruction and boom repudiations had kept the more conservative institutions cold to the municipals emanating from such areas. In many cases, the laws of prosperous northern states interdicted these bonds for investment. Prejudice and past historic conditions have changed, and today most of these issues are looked upon favorably. Nevertheless, additional caution is still employed in such areas which show a continuing tenuous sense of honor concerning their obligations.

Trend Towards Industrial and Utility Bonds

In 1907, railroad bonds were at the peak of popularity. The 1905-6 railroad epoch was the highest point of prosperity attained by the carriers, one never since quite equalled. The only seasoned corporate issues, in effect, were the rails; the utilities and industrials represented the speculative fringe in bond holding.

Hence, the ratio of three to one, shown by 1820 railroad issues to 600 industrial and utility securities, held in 1907, is rather startling for the then demonstrated adventurousness of insurance companies. Railroad bonds have not been issued in any sensational number since that period, but they retained their unique investment position until the war.

In 1918 the insurance companies held 3,510 issues. But the war-time weakness of the rails, and the two years following resulted in a weeding out of weaker bonds, so that in 1924 railroad

bonds held represented 3,240 separate issues, or less than double that of two decades ago.

Although holdings of utility and industrial issues has not increased substantially since 1920, despite the plethora of issues in this field, such figures indicate a greater amount of bond discrimination rather than an unwillingness to enter the market. Railroad bonds exceed both industrial, utility and foreign government issues in number by only a small margin, which about reflects their present relative position in the New York Stock Exchange. Legal requirements in several states probably have the result of forcing more railroad bond investment than might be called for on a strict investment basis. Since the number of issues held representing corporate financing point rather to the growth of investment values, in the sense of the growth of equities, and not mainly to a privileged position, as in the case of municipals, the gain from 2,420 corporate bonds of all descriptions in 1907 to 5,760 in 1924 is probably as good an index as one could wish of the growth of bond opportunities. They have risen by about 130%, or, taking the increased number of investors into account, corporate investment bonds afford each investor 100% more choice than he had in 1907.

Such new forms of investment as Federal Farm Loan Bonds and Joint Stock Land Bank Bonds are, of course, creations of the last few years. Offering a yield not far above government issues their investment quality is making them increasing favorites.

How Rail and Industrial Stocks Compare

Stock investments, naturally, call for more detailed scrutiny than bonds. Where such investments are permitted to insurance companies, they are usually not hedged about with the restrictive legislation attending bonds. Stock commitments, therefore, represent more adequately the pure investment trend of insurance companies.

Railroad stocks have only slightly increased as to number of issues, and still less as to par values outstanding. Hence, the growth of railroad stocks held, from 304 to 456, would appear to show a moderate growth. But the new issues that appeared until about 1912 stopped suddenly with the adverse New England developments of the time, and the 1911 number of railroad stocks owned was exactly the same as in 1924. The restricted number of issues and the indicated small supply per issue, has become characteristic of railroad stocks as opposed to industrial stocks. The insurance figures supply the key. What is remarkable, however, was the canny policy shown of dumping rails in 1918, when Federal control injured their market position, and their heavy repurchase in 1921, when they were at their most absurd lows, and when they were widely decried. There is a lesson in good investment management here for the ordinary investor.

Compare the small growth of railroad stock issues with the number of industrial and utility stocks. These rose in number of issues from 266 in 1907 to 1,596 in 1924, a rate of gain eight times as rapid as that of the rails. Of this group, industrial stocks are in a great majority. Since 1919, the insurance companies have accumulated annually a greater diversification of industrial issues. It is notable, though, that since 1920 the rate of gain in such stocks has not exceeded that in the rails. In other words, most of the popularity of industrials as against rails began with the 1907-1919 eclipse of the rails and rise to primacy of industrials and utilities, but since that time the two have held their proportions quite well, so that we can speak with confidence of a balanced issues structure.

It is notable that purely financial stocks, such as those of banks and trust companies have increased at something like the rate of railroad stocks since 1907, but are no more numerous today than in 1915. Hence, it appears that insurance companies have not been friendly to purchasing the shares of newer organizations in the banking field, but have held that the most profits were to be found in increasing their line of holdings in financial institutions already well established.

What the Foreign Bond Account Reveals

Even an expert in security studies is likely to receive some surprises from the foreign bond list. As United States government issues, including short terms, rarely exceed a score or so, the United States government and foreign bond account, refers practically entirely to foreign issues. As such, it appears that our insurance companies did not enter this market with the war, as is commonly believed. As many as 200 issues were noted in 1907 and fully 500 in 1913, the year before most Americans were drawn to Europe by the drama of the great war. The number of such issues is in excess of the amount now held, which is 450. When it is remembered how small were the government debts of the world in 1913 compared to 1926, this has a double significance. The first is that insurance companies were attracted to foreign bonds, not because of their yields,

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Bonds and Stocks Owned or Held as Collateral for Loans by Insurance Companies and Fraternal Societies Doing Business in the U. S. A.

Year	Municipal Bonds No. of Issues	Railroad Bonds No. of Issues	Industrial and Utility Bonds No. of Issues	Federal Farm Loan Bonds No. of Issues	Joint Stock Land Bank Bonds No. of Issues	Industrial and Utility Stocks No. of Issues	Bank and Trust Stocks No. of Issues	Railroad Stocks No. of Issues	U. S. Government & Foreign Bonds No. of Issues	Total No. of Issues
1907	5,310	1,820	600	..	..	266	560	304	200	9,060
1908	9,270	2,065	1,020	..	..	565	616	342	200	14,528
1909	13,230	2,800	1,230	..	..	608	672	342	300	19,182
1910	18,585	2,590	1,620	..	..	684	672	380	400	24,931
1911	21,285	2,660	1,800	..	..	760	784	456	400	28,145
1912	23,895	2,800	1,800	..	..	836	734	456	400	30,971
1913	25,965	2,940	1,740	..	..	722	784	456	500	33,107
1914	29,385	2,940	1,800	..	..	722	784	456	500	36,587
1915	32,625	2,940	1,920	..	..	798	784	456	500	40,023
1916	34,605	2,870	1,980	..	..	760	896	456	500	42,067
1917	37,760	3,285	1,740	..	..	874	840	418	500	45,417
1918	42,160	3,510	1,920	..	..	912	896	456	600	50,554
1919	45,500	3,060	1,860	..	..	874	784	380	500	52,958
1920	50,300	3,150	2,100	..	..	1,178	784	380	600	58,492
1921	58,500	3,060	2,340	..	..	1,216	896	456	600	67,068
1922	72,500	3,195	2,490	..	..	1,406	896	456	500	81,443
1923	78,500	3,195	2,790	90	90	1,558	840	418	450	87,931
1924	97,500	3,240	2,520	90	200	1,596	896	456	450	106,948

What Leading Companies Would Earn If Copper Prices Advanced

THE following tabulation indicates the manner in which higher copper prices would influence per share earnings of various copper producers, based on 1925 production. Figures are based on net earnings derived from copper alone without regard to other metals or deductions for depletion. The wide divergence of bookkeeping methods in use precludes anything more than approximations, but the estimates will serve as a rough guide to future expectations. With copper now at 14½ cents, this table acquires current value.

	1925 Earnings per Com. Share Before Depletion. Avg. Price of Copper in 1925 was 14 cents	1925 Copper Production (mil. lbs.)	Dividend	Recent Market Price of Stock	What Companies Would Earn if Copper Advanced to 15 and 16 Cents. Based on 1925 Production Before Depletion. 15 Cents	16 Cents
Anaconda	$7.53	236	$3.00	49	$8.32	$9.11
Calumet & Arizona	4.23	46	4.00	69	5.93	6.64
Calumet & Hecla	2.01	91	2.00	15	2.47	2.92
Cerro de Pasco	9.21	75	4.00	70	9.88	10.54
Chile	3.32	220	2.50	34	3.82	4.32
Copper Range	0.45	14	1.00	17	.80	1.16
Granby	3.21	38	None	24	4.29	5.38
Greene Cananea	1.87	31	None	21	2.47	3.08
Howe Sound	4.37	29	3.00	38	4.95	5.54
Inspiration	1.85	82	2.00	25	2.53	3.23
Kennecott	6.21	411	4.00	56	7.11	8.03
Magma	3.28	27	3.00	41	3.93	4.59
Miami	2.07	52	1.00	14	2.75	3.45
Mohawk	7.00	16	4.00	40	8.42	9.85
Mother Lode	0.84	30	0.75	6	.96	1.08
New Cornelia	2.07	69	1.60	23	2.45	2.84
Nevada (incl. Ray)	1.52	216	1.00	14	1.94	2.37
Old Dominion	1.65	27	None	19	2.42	3.20
Phelps Dodge	14.83	207	6.00	125	18.95	23.10
United Verde Extens.	3.19	44	3.00	28	3.60	4.02

The Fourth and Final Installment of a Series of Articles of Special Value to the Business Executive

Problems of the Average Business—and the Remedy

Scientific Application of Human Remedies to the Labor Problem

By JOHN F. SHERMAN

Note: Mr. Sherman is president of Sherman Corp. Engineers and a recognized authority on management in industries.

> ***"It is no exaggeration to say that the whole future success of our industrial organization depends upon methods of organizing human beings."***
>
> —SAMUEL A. LEWISOHN

THE problem of the average business today simmers down to making ends meet and lap over.

A confusing element in the situation is that on the surface there is encouraging activity. Many lines of commodities reflect production in large volume. Sales show increase and expand the gross income.

But the profit gauge flickers lower and lower. I have before me the statements of several manufacturing concerns, the sales of which have gone up within the past few years while profits have receded. Again and again executives say: "Why is it we do not make money? We have increased our volume over last year and the year before, but our net profit position has fallen off."

This fact of surface activity viewed jointly with a narrowing of profit margins means that the pivotal problem is an under-the-surface one, and cannot be solved by means which do not analyze into specific, individual causes. I have referred in a previous article of this series to the fact that the last complete report on profits, including 298,933 corporations, showed 40% of them operated at a loss and a large number of the 60% showing declines in volume of profit. Since that report there have been occasional published figures on profits of smaller numbers of concerns indicating that *a few have been making more while the many have been making less.*

In previous articles, I have referred to the dilemma occasioned by low prices and high wages, a combination that has been used to produce profits by some few manufacturers but has worked hardships on possibly the greater number. Lowering the selling price of a commodity in order to obtain enlarged market, in itself, is a futile proceeding, and constitutes one of the reasons for disappearing profits unless costs are correspondingly reduced.

A company, for example, doing a business of $1,000,000 a year at a 25% gross profit, in order to meet competition, reduces prices by 5%. That reduction must come from somewhere and too often it comes out of gross profit which means that the volume must be increased to $1,250,000 to show the same gross profit in dollars on a 20% gross basis. A larger volume also means corresponding credit risk. The same percentage of risk applies to the additional $250,000 as to the former million dollar volume. And the increase in volume means an increase in the size of the organization needed to handle the additional business. A price reduction of this sort, therefore, means that even more than the 25% volume must be secured if the condition of the business is to be maintained. *Instead of taking such a reduction from gross profits, which many concerns are forced to do, the road to profit, with price reductions the rule rather than the exception, is to reduce costs.*

Immediately, to many manufacturers, this means reduction in wages for wages have become the largest single item entering into costs. Whereas in 1909, the national income was divided 68.7% for wages and 31.3% for management and property, in 1918 the division was respectively 77.3% and 22.7% and since employees have been registering distinct gains since 1918 it is logical to assume that their proportion is even greater in 1926. This has been accompanied with increased per capita output due in part to the growth of time-saving and trouble-saving devices.

But this increase in machinery adds rather than lessens the importance of the human equation. From a dollars-and-cents point of view, each man employed in our industries represents a corresponding high investment in machines and equipment. The United States Census Bureau figures that the average investment of capital per worker in industry in this country is nearly five thousand dollars. For every hundred men employed, there is, therefore, a half million dollars in machinery, material and money. The exact figures are given in the accompanying chart.

On these huge investments, industry's return in commodities produced, in interest charges earned and in profits and surpluses, is intimately bound up with the performance of individual employees. A stockholder or bondholder judging the present stability and future expectations of a company may well look to the Jims, Johns, Bills and Tonys, who are doing the jobs in the ultimate "trenches" of the company, and to the way in which they are geared with the rest of the productive machinery. For it is in these thousands of Bills and Tonys, and in their relationships one with the other and with management, that the destiny of the company profitwise is bound up.

The first step in the solution of the problem of the average business is the analysis of the specific wastes and losses in the particular business and the introduction of sound, complete remedial measures for *progressive, continuous elimination.* Waste elimination should not be regarded as an expedient. It must become an integral part of our industrial and business economy.

Frequently, the cause of vanishing profits is their conversion into losses in the handling and administration of manufacturing. It is astounding to find that in many companies outwardly well-run, conditions exist which constant familiarity and contact of management have rendered familiar and accepted. An example comes to mind of a large company, the first mortgage bonds of which have recently been taken over by a bondholders' committee on a defaulted interest payment. Among many other conditions revealed by thorough analysis of this property was that in one department 98% of production was coming back to be re-worked. Analyzing further, the real reason for this fact was that the employees would not work with the foreman of this particular department. They did not like him. He employed driving tactics. He was arbitrary. Every employee

in his department was leagued against him, and being leagued against him, was leagued against production, of high-quality, reasonable-cost goods. The remedy was to bring foreman and workers together; shake them down to a basis of mutual understanding; put co-operation actively and constructively on wheels. Of course, both workers and foreman might all have been fired. But discharge is often no more constructive treatment for such a situation than would be the scrapping of an expensive machine because of a correctible defect.

The remedy for the above conditions—and in a degree the same type of remedy offers a real opportunity for relief throughout industry today—was first, to get the human-element facts; then, and more important to develop constructive treatment. Such treatment does not consist in talking about human relations. An attitude of a worker toward his job and toward his company, yes toward life, is of greater importance in downright cold dollars, both to himself and to society, than his vocational skill and his muscles, yet it has habitually been last instead of first on the list for treatment.

This intangible factor is partially responsible for the unsatisfactory results of many wage reductions. A wage cut accepted grudgingly has been proven time and again to fail of the very result desired, namely lowering of costs. An employee, for example, working at a 70% efficiency and drawing 61 cents an hour, actually is costing the business 86 cents per hour. Reduction of his wage, on the basis of a non-cooperative attitude, means that less may be paid him but more overhead effort is necessary to get quantity and quality of effort in return for the wage paid, *i.e.*, intensified supervision and other overhead expenses.

Raise the per cent of efficiency to 200, which has been proven possible through scientific analysis and treatment; and pay in return for that added efficiency 65% more wage, and the cost per unit drops to 50 cents an hour, for the reason that the heightened efficiency means less power, less supervision, less inspection, in other words a reduced overhead; and by picking up on overhead, cost comes down instead of going up with the increased wages. In bringing about more generally such accomplishments in the average business, the method of wage payment plays an important economic role. A recent survey of over a thousand representative concerns showed that 56% of workers affected were paid on a time basis, either an hourly or a daily rate, while 37% were under some form of piece rate and only 7% were paid by an arrangement providing for premium or bonus compensation. In other words, the factor of intelligently designed incentive is utilized only in a minority of instances.

It is to the ultimate advantage of all groups, as has been iterated, that industrial problems be solved soundly. To "short-change" industry, wittingly or unwittingly, is not to labor's advantage in quality and quantity of effort exchanged for wages, if for no other reason than one of self-interest. The prevalent attitude of giving as little and getting as much in the wage bargain as possible has not developed in this country by design nearly as much as it has through conditions of general industrial development which have held management and employee alike in their grip.

I am going to put down here what have proven to be sound, workable, resultful elements in a sound solution of the industrial problems, and they are predicated on facing facts; of analyzing causes:

Increase in the quality and quantity of effort exchanged for the money which goes into wages, developed through rebuilding attitudes as well as methods;

Continuous development of improvements in production through constant analysis and readaptation of method to objective; and the co-ordination of such improvements thoroughly with motive, spirit, mind and effort of individual employees;

Closer co-ordination of marketing and producing; bringing together of new products with over-capacitated plants and elimination of non-profitable lines.

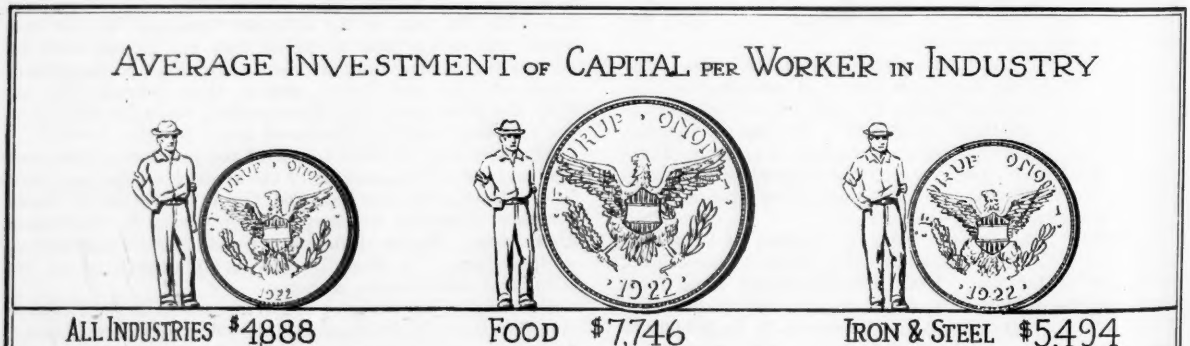
A basic is the attitude factor. A business problem or an industrial problem—any problem into which the human equation enters—is largely a "way of looking at things." There is no doubt that sound economy under our present highly intricate industrial set-up dictates a close kinship of interest between employee and employer.

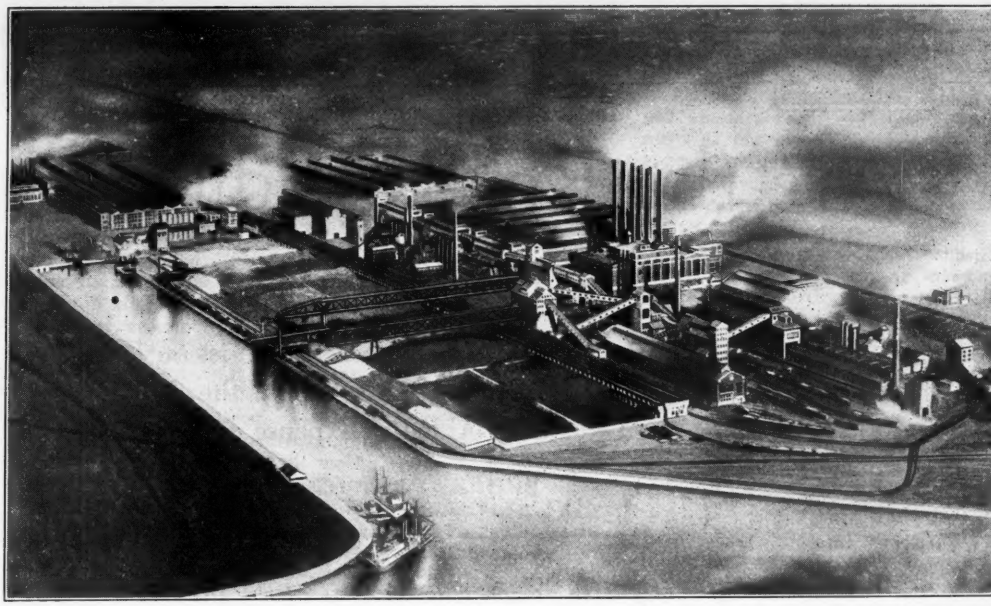
But do employers see it that way; or do workers see it that way? Only occasionally. And the fault is not entirely and exclusively the property of either. Blaming and incriminating on the part of the various groups in industry are responsible for more damage than earthquakes, floods and famines. What good does it serve to say that all the fault is Smith's? If a condition has arisen needing treatment, the treatment is the main thing.

Great progress has been made in revaluation of the human-element basis of industry, designed to increase the proportion of value received from wages. This discussion of itself does not solve specific problems, but it does serve to leaven the lump; to set going new ideas, and these new ideas are helping develop new management view-points.

The employee's viewpoint and his attitude, closely interrelated, represent a field of potential survey and development with vast possibilities of benefit, in stopping causes of waste and loss.

The process by which such benefits have been secured is sometimes classified as educational. Education in its common acceptance connotes, however, lecture rooms, courses





The Ford Plant at River Rouge where industrial efficiency has set a standard for the nation

of formal study, the instruction of those down below by those up above, and formal education for this reason meets with many resistances, most of them passive and unexpressed.

You can lead an employee to education but you cannot make him partake of it. Back of the processes by which human assets have been capitalized there must be the realization that "won't-power" first is to be converted into "will power"; that development of the intangibles of employee-attitude and motive must take into account the force of example and demonstration. Some of the most successful results have been consummated by approaching the employee on his level, through the medium of those who speak his language and live his life. In every worker-group, whether of 10 or 1,000 employees are constructively-minded workers who in the ordinary course are inarticulate. Their example of a full day's production, in quantity and quality, frequently is unutilized, although it constitutes one of industry's greatest assets.

Another Cause of Waste

Non-development of the leadership which lies dormant in any employee body is a cause of great wastes and losses. And frequently an active leadership assumed by a negatively-motivated employee leads to costly results. Witness the controlling character of influence behind an employee-employer controversy. The recent Passaic affair is an instance. A single individual analyzing negatively, motivated by a conviction that destructive means rather than constructive ones should be used, exercised sufficient intelligent leadership to bring chaos upon a community, affecting thousands of men and women and tying up hundreds of thousands of dollars. An equal degree of intelligent *constructive* effort directed toward establishing in employee minds the fact of mutual interests as essential between employer and employee, could avert such developments.

The constructive nucleus of employee leadership can be capitalized, made articulate; developed into an active influence for good. Skill of a high order is necessary to handle this sort of an achievement in humanics. A specialized experience is just as essential for success as in mechanical engineering, accounting, advertising or selling.

Such specialization does not mean necessarily welfare work or any of the many means and methods which first come to mind when dealings with employees are mentioned, but rather an engineering effort which will extend right to the employee's work on his job; to the meshing of that job with other jobs; to the handling of materials and tools, to the use of time, to co-operation with supervision and to the other constituents which make up a worker's universe.

The job *is* the worker's universe; where he lives, moves and has his being, and it is on the job that habits and viewpoints are formed, and in association with workers between spells of actual work. As an educative influence the job has precedence over any other part of an industrial worker's life. The plant, mill or factory is his preparatory school and his university. It is where he passes a large share of his conscious waking day. The way in which he passes it is a potent influence for his own weal or woe as well as for society's. Industry cannot afford to continue to regard the individual job simply as an economic means to an end. Much of the waste and loss originates in friction between human beings and some one or many of the component elements in their jobs.

The most successful form of lubricant—and that may hardly be the right word, since it suggests salve and grease—is an understanding of facts. When a worker gets facts—real facts, and not colored and distorted statements—he has the raw materials for the building by himself of a constructive attitude or motive for his work.

For example, a crew of workers in a freight yard of a large mill had been working at such a slow pace that demurrage charges were piling up. The humanics of the situation were carefully analyzed, and constructive treatment was engineered. At noon hour on a certain day just after word had come from the foreman that four carloads of steel bars were due for unloading the employees were brought into casual discussion and told about the demurrage. The facts came out as to how much it cost, and why it cost as much as $15 a day. It was pointed out that if rain reached the bars they would have to go for "pickling" to remove the rust. These expenses were clearly shown as a part of many other preventable losses which were increasing the costs of doing business and affecting earnings of labor as well as of management. In other words, the fact treatment was used, and these employees came to see the reasonableness of bringing that unloading job into as short a time span as possible, *in their interests*, as well as in the interest of the business. The net result was that the four cars were unloaded in less than half the best time ever made by that gang. Waste was stopped at its source. No one broke under the strain. A new constructive, co-operative attitude developed in that small group, and the members of it found that the new attitude and the facts from which it grew, gave an interest and a fillip to routine work. It proved to be "good stuff."

Every hour of every day in industry, employees are tackling jobs like unloading. They illustrate an endless variety of circumstances which make up the costs of doing business. Reduction of those costs, not as a spasmodic, hit-and-miss

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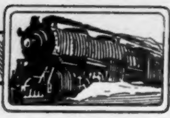
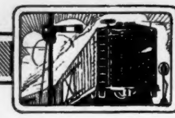


RAILROADS



Are the Roads Hiding Their Real Earnings?

Why the Interstate Commerce Commission Has Refused to Increase Rates—Will the Northwestern Roads Be Aided at Expense of Eastern?

By J. A. POLLOCK, JR.

THIS remarkable analysis of the present methods used by railroads in making out their reports of earnings offers a new and important angle to approaching the problem of future rail security values. Few investors are aware that the roads, by their present policies, are showing less earned than actually the case. Real appreciation of this fact, if spread among the public, would inevitably result in far greater demand for railroad stocks and, hence, considerably higher prices.

WHEN the Interstate Commerce Commission denied the Western carriers' application for a 5% rate increase, and, particularly the request of security holders of Northwestern roads for special relief, the announcement was barely registered in the market price of the most directly concerned rail shares. Outside of academic circles it scarcely held news value. As one man put it, he had forgotten whether the adverse decision had already been, or remained to be rendered.

Robbed of its euphemism this sad epitaph is translated, "The railroads can't get a square deal," a belief all too prevalent among the investing classes. In recent years this well nurtured idea has assumed almost the standing of a religious creed and as such is stamped with the full merit of any philosophy of pessimism, the chances of disappointment are reduced to a negligible quantity.

Unrelated to fact, however, the conviction constitutes a square impediment to the business of making money. For one thing, it may cause the owner of rail shares unnecessarily to depreciate his security, or the potential owner to gaze blindly and unresponsively upon opportunity. For another it bears an inelegant similarity to the battle cry of the agricultural radical.

This fact deserves a moment's reflection. Under the combined forces of the Commission and the Transportation Act, the railroads have reached a new level of prosperity and efficiency. Now the farmer and radical are ready to dispense with both. Is the investor? He is not likely to improve his status under a substitute arrangement.

It might even be pointed out that the popular fallacy of the railroads' inability to get a square deal is more than inferentially unjust to the personnel of the commission, although this has no bearing upon the problems of speculation nor is a defence of the commission to be undertaken. We may disagree with many of its decisions without concluding that this body is either dishonest or unqualified. Moreover, the thought should not be conveyed that the railroads have not been obliged to, or will not need, to fight for a full measure of justice. The courts are generally clogged with litigation, very little of it related to matters of transportation.

So much for abstractions. The intelligent and logical limit of the railroad owners' variance with the regulatory body should perhaps be that of a reasonably good natured protagonism. As far as those that are actively in the debate are concerned this is undoubtedly the case. In the same sense, let us examine what may be advanced in support of the commission's apparent reluctance to increase rates. There is a good deal to be said on that side of the question and while, in the writer's estimation, the commission has far from a perfect case, the extent to which its position is well taken is necessarily a bull argument on the railroads.

It is of course appreciated that the present level of rates is not the product of a gradual and well ordered evolution, but rather an adaptation to some very violent and rapid changes in the cost of operation. Between the beginning of the war period and 1920, prices rose until they had doubled, necessitating various increases in rates, culminating in the general advance of 34% in 1920, which brought the general level to the highest point in history. In the deflation of 1921 prices declined by over 25%, losing half their wartime gain. It was apparent that the rate structure had been erected upon a basis of costs which would not long prove justified and was at a point thought to be detrimental to industry in the then existing depression. Accordingly, the commission found in 1922 that a general decrease of 10% would be commensurate with the change in costs of operation. Although perhaps the equivalent thereto, this finding was not an order to reduce rates, and in a sense was voluntarily complied with by the carriers. Since 1922 there have been no blanket alterations of the rate structure.

The Transportation Act of 1920 directs the Interstate Commerce Commission to fix for appropriate groups of carriers, rates which under "honest, efficient and economical management and reasonable expenditures for maintenance of way, structures and equipment" shall yield a fair return upon the aggregate value of the property devoted to transportation. The fact should not be lost sight of that, *value* constituting the final measure of a fair return, the question of proper rates becomes at once involved through the still undeterminate nature of the commission's work on valuations and the carriers' numerous exceptions thereto. The angles of that discussion require a separate study. The matter may be left to the courts with the single comment that *they will undoubtedly find a value for the transportation machine considerably above that tentatively employed by the commission.* In fact, the latter's recent rate finding seemed to

contain a hint that decisions of the judiciary would prove a welcome guide.

In the table which accompanies this article, return has been computed upon a value less than that commonly employed by the carriers but considerably greater than that indicated by the commission. It will serve as well as either to illustrate the argument. We are, moreover, attempting to look at the rate question somewhat through the eyes of the commission. To avoid a wrong conclusion it should be pointed out that as far as Eastern and Southern territory are concerned the districts for which statistics are compiled are not quite identical with the group for which a fair return is sought. The effect of a proper rearrangement would be to more nearly equalize the showing of Eastern and Southern roads.

In the general rate advance of 1920 the carriers did not share equally, the increase amounting to 40% for Eastern roads, 35% for Western and 25% for Southern. In addition, special reductions in 1921 on grain, grain products, and hay which constitute about 30% of the revenue of Western carriers, were more adverse thereto than in the case of Southern and Eastern roads. Thus, according to the former the net increase since 1915 has been about 41%, 49% and 81% for the respective groups. The question of why the commission accorded the Western and Southern carriers less favorable treatment than was granted the Eastern lines is no doubt answered by the relatively more favorable earning results which these groups had achieved prior to, and up to, the time the rate changes were inaugurated. Under the circumstances this course of action constituted the only equitable arrangement. That it was well founded at least in respect to Southern territory is apparent. It is equally evident that the commission erred about the Western roads. Lacking prescience it could hardly have anticipated a prolonged agricultural depression. If censure is to be given, it should not be charged to mistaken judgment but to the failure to take corrective action.

Steady Recovery of Railroad Earning Power

Net Railway Operating Income—Class I Roads

(In thousands)

District	1920	1921	1922	1923	1924	*1925
Eastern	124,232**	230,096	291,853	417,550	407,468	483,759
Southern	32,592	92,367	150,622	177,341	194,971	238,820
Western	108,867	278,475	317,712	367,065	371,399	414,405
Total U. S.	17,227	600,937	760,187	961,955	973,837	1,136,984

Return Upon Investment in Road and Equipment

District	1920	1921	1922	1923	1924	*1925
Eastern	1.71%	3.06%	3.76%	5.28%	4.95%	5.41%
Southern	1.11	3.06	4.86	5.64	5.87	6.71
Western	1.30	3.26	3.64	4.16	4.07	4.31
Total U. S.	0.09%	3.15%	3.88%	4.84%	4.71%	5.14%

*Includes Class I Switching and Terminal Cos. **Deficit.

The 1922 finding that rates should be reduced was made before the carriers were even approximating a fair return. The reason for the order should be of more interest to security owners than the abstractions of justice. The commission knew that a fair return would shortly be exceeded under the higher rate level, as it would have been for all but the Western carriers. This conviction was based upon an intimate knowledge of the so-called law of increasing returns. At the expense of achieving dogmatism, the operation of this law can afford to be outlined. It is the most important factor affecting railroad values and one of which the average investor is little aware. It is simply that, other things being equal, receipts accrue more rapidly than expenses. As an axiom of railroad operation "half the increase in *gross* is saved for *net.*" Otherwise stated, the tendency of rates is always downward. Under the name mass production, this theory meets common recognition.

In the transportation field it operates with thoroughly practical rapidity. Take the thirty years from the beginning of records in 1888 to federal operation in 1918. Freight rates declined fairly consistently from slightly over 1 cent per ton mile to 7.2 mills in 1916, about 30%, while labor and material costs increased 40%, perhaps 50%. Notwithstanding, the last three years were the most prosperous in aggregate and for individual roads of the entire period. Excluding 1915, 1916 and 1917 on the grounds of war traffic the statement still holds good. One can conjure what the result would have been had rates stayed up and costs down. Under either contingency earnings would have been over twice the legal return; under both contingencies three times. A more rapid operation of this law may be seen in the recent earnings of certain soft coal roads.

A sudden shift in the loci of production has greatly increased the revenues of the *Chesapeake & Ohio* and *Norfolk & Western.* In 1925, gross of the former increased approximately $15,000,000 and net operating income, in spite of heavy maintenance, $8,000,000. Norfolk's gross was up over $10,000,000, virtually all of which was carried to net.

At the recent hearings on the application for rate increases, it was testified in behalf of the Western roads, in connection with valuations, that present day costs might be expected to remain stationary for several years and over a longer period perhaps decline. The viewpoint is close to that of the majority of economists. It undoubtedly explains the commission's reluctance to raise rates. *Under stable costs and rates the carriers as a whole will be earning more than a legal return at no distant date.*

Over the last thirty years, freight traffic density has increased about 6% per annum; for the future an increment of not over 4%, may be a safe expectation. Half of this carried to net, however, would mean each year additional earnings equivalent to over 0.50% on valuation.

It is well understood that conditions within Western territory are not equal and that the Northwest constitutes the present sore spot of the transportation industry. The most thoroughly conservative estimate of traffic growth for this region would continue the line of increment of the past decade of about 2½% per annum, ignoring the fact that this line was drawn from a prosperity to a depression level. The investor might assume, if the commission may not, that a future traffic line will be determined not by a declining or static condition, but will be drawn from relative depression to relative prosperity. A very rapid improvement in earnings would result.

Besides being governed in its rate decisions by a well-founded, almost certain knowledge that earnings would increase, the commission may claim an important point in its favor regarding maintenance. According to the law, rates shall yield a fair return under "reasonable expenditures for maintenance." Reasonable maintenance is subject to more than one construction. It may be interpreted in the light of the necessities of a particular situation or it may mean normal. The latter sense is with little doubt what is meant in the Transportation Act, and in this sense railroad maintenance has been far from reasonable in the last few years. This is getting into highly controversial ground. Suggest to the average railroad operator that his expenditures for maintenance have been unreasonable. He will very likely recall the condition of his property as returned by the Railroad Administration or subsequent to the shopmen's strike of 1922. If he does, his eye will grow red and his collar tight. Upon reflection, however, he will no doubt admit that it may be unnecessary to continue the same expenditure in the future.

In a recent article in this publication, attention was drawn to the increased use of the depreciation account. From a relatively unimportant charge against earnings fifteen years ago this has grown to the tremendous annual total of $180,000,000. An additional charge for "retirements" of property exceeds $55,000,000. The item "accrued depreciation" in the combined balance

sheet of Class I carriers increased by $140,000,000 in 1924. The destination of the other $40,000,000 should be interesting.

There is a sound school of railroad thought headed by L. F. Loree which claims that there is no depreciation on a railroad—that it is precluded by continuous replacement on a properly maintained property. "Retirements" were known as "replacements" prior to 1913. As respects the maintenance of way and structures, this contention brooks little argument and no great amount of depreciation is charged to this account. There would seem, on the other hand, some reason to set up a reserve of cash for the eventual replacement of outworn motive power and rolling stock. At the same time, depreciation based upon a life of twenty-five years would appear excessive when charged against equipment that will last indefinitely. That such is the case may be taken upon the word of a large manufacturer thereof. The argument that high depreciation is called for by the excessive cost of equipment purchased in 1919-20 is invalidated by the virtual certainty that these units will be replaced at a much lower cost. It may be pointed out that during government control the director-general ordered equipment purchased subsequent to 1917, depreciated at 4½%. Not unnaturally there has been a tendency to continue this charge under the Transportation Act.

Still less cause for excessive depreciation is to be found when equipment may be entirely rebuilt, and checked out of the shops virtually new, under the guise of a repair job, as is possible under the current accounting rules. The present attitude of the commission as to what may be considered a maintenance charge constitutes a partial reversal from the ruling laid down in 1922. In that year the Northern Pacific had rebuilt a great deal of equipment, billing the cost to maintenance. In October several million dollars were credited back to income by direction of the commission, which asserted that the expenditure was clearly of a capital nature and not chargeable to current operations. Subsequently it was ruled that if over half the original cost was spent in rebuilding equipment the charge should be to capital account, a solution decidedly begging the question. By still later ruling the entire cost may be debited against income.

It is extremely interesting to note that the official figure of equipment units installed considerably exceeds the number actually built for United States and Canadian consumption, as recorded by the Railway Age's careful compilation. In the last four years 8,797 locomotives were built for United States and Canadian railroads, about 8,400 destined for the former. Installations of new locomotives by Class I carriers totaled 11.435 units. In the same period over 685,000 freight cars were installed against approximately 490,000 built for American roads. Passenger train cars came to about 11,000 and 7,500 respectively.

The answer to this anomaly is simply that existing equipment has been retired, rebuilt to its original and frequently better than original condition, and re-installed as new equipment. Apparently the entire process including retirement can be charged against earnings. There can be no question of the economic soundness of this policy. The bookkeeping is, to say the least, interesting. From the standpoint of the no-depreciation school the entire process should be eminently correct. It should have, moreover, a sound standing in Canada, where equipment trust rentals, that is payments on both principal and interest, are by legal requirement classed as an operating expense. It follows, however, that railroad earning power is probably considerably in excess of that commonly recognized by investors.

For over three decades the ratio of transportation costs to gross revenues of the railroads has averaged something more than 35%. In the four years ending June 30, 1914, it averaged 34.89%, so that the 1925 transportation ratio of 35.01% marks a close approximation of normal. Likewise, the maintenance of way ratio, which over the full period has ranged between 13% and 14% and averaged 12.83% in the 1911—14 years, stood at 13.33% in 1925. The maintenance of equipment ratio, on the other hand, which averaged 11-12% in the first half of the long period and 15.98% in the four prewar years, was 20.51% last year and 23.28% in 1923. This is in line with the discussion previously developed.

It should be interesting to estimate the extent to which maintenance exceeded normal in 1925. The orthodox and sound method of doing so is by a comparison with transportation costs.

Unusual maintenance is retained in the property, but every extra dollar spent on transportation is lost. For this reason the latter item represents a true measure of normal expense. Close scrutiny of the various elements of cost, labor constituting by far the most important factor, indicates no disproportionate change in the various expense accounts relative to one another since the pre-war period. During 1911-14, inclusive, total maintenance came to 83% of transportation costs. There is perhaps a slight tendency for this ratio to increase. For safety's sake, 88% of the 1925 transportation cost may be taken as normal. This was exceeded by all roads to the extent of approximately $190,000,000, a matter of roughly 1% on the tentative rate-making valuation. Of the entire excess about $90,000,000 may be apportioned to roads in the Eastern District, $25,000,000 to those in the Southern and $75,000,000 for the Western.

The commission has found that no financial emergency—a foremost point of the railroads—exists. This is probably correct now. We hope, as it was written, the commission shed a retrospective tear over the defunct St. Paul. The entire case was held open without prejudice for reconsideration under the nation-wide rate investigation being conducted under the Hoch-Smith resolution.

Some questions were more solidly dealt with. The commission made it plain that agricultural rates should not be reduced, thus allaying a genuine fear of the carrier. It also expressed as a sort of economic canon that no attempt should be made to increase these rates. This was perhaps superrogatory. No great amount of sympathy was indicated for the present plight of the Central Western and Southwestern roads. The commission did indicate that the Northwestern carriers might be entitled to separate consideration. Rate division was dismissed on the adequate grounds that all the other lines which would be affected were not party to the hearing.

In conjunction with the commission's partial acknowledgment of the difficulties of the Northwestern roads and the holding over of the case to the general investigation, this reference may be taken as the most bullish indication in the decision. The very expediency of reapportioning rate divisions make it appear a probable solution. No rate increase to the public would be involved, merely a transfer of revenues to the Northwestern carriers from the more prosperous Eastern roads, which may well be exceeding the fair return before very long.

We are inclined to venture the prediction that this will prove the solution of the Northwestern rate problems. It is evident that in other sections of the country the railroad industry is in a fairly prosperous condition.

Adding Speculative Sauce to the Investment Dish

A Field for Profit Without Undue Risk

By LORING DANA, Jr.

AT prevailing high prices for bonds, the investor who seeks a little speculative sauce added to his bond dish, finds himself limited to two types of securities. He may either buy bonds yielding far more than the market average, in the belief that they are undervalued, or he may use the privilege feature of bonds, that is their convertible or warrant provisions, as a basis for profit-seeking.

Up to March, 1926, convertible and warrant bonds participated in the great upward rise of the stock market, wherever their conversion or warrant exercise figures were in alignment with the stock market. Interest in these two types of securities flagged with the break in the stock market. Since the recovery of the last few months, however, there has been a good revival of interest in such bonds and preferred stocks, but it has been a less exaggerated and a saner interest. Hence the market is combing over the list with great care, and only such bonds as are inherently measuring up to quality are being considered. Poor quality bonds cannot be made popular by inserting conversion features that are nominally attractive. The present critical, yet hopeful mood of the bond market affords an excellent opportunity for the investor to act with this cool judgment himself and obtain attractive convertible bonds at reasonable prices. Nevertheless there are not many such opportunities, for reasons to be given later.

Convertible bonds are rarely of the very highest grade. A First Mortgage bond of the Pennsylvania System, for example, does not require embellishments or privileges to make it attractive. On the score of safety alone, if it is not priced too high, it will command purchasers immediately. It is usually either the junior bonds of a stronger corporation, or the debenture bonds of any corporation, or the senior bond of a weaker corporation that carry such added market privileges as conversion features to sweeten their salability. The investor purchasing such privilege bonds must not seek for the ultimate in quality as well but must be content with high safety and sustained earning power back of the bonds. Where good convertibles can be obtained, where the conversion feature is not paid for at the cost of the yield, and where the call price cannot be construed as endangering the possibility of profiting by the conversion feature, we have an attractive issue in convertibles. The more important question is not, as investors usually put it, what are the stock enhancement possibilities? It is rather, is this a good bond to begin with? Does its yield, while slightly lower on account of the conversion feature, give me a reasonable return? Will the call price cancel the benefit of the conversion feature, since present price of the bond invites a refunding?

Only when all of these questions have been answered constructively can the investor ask the next question, "Will the stock advance to a point where it would be advantageous to exercise the conversion privilege?" In many cases, of course, the stocks into which the bond is convertible have passed the conversion point, but the bonds are too high priced—in other words, the conversion privilege is priced at more than it, plus the quality of the bond, is worth. Here, too, these bonds, even though the best of their class, are not good commitments.

The recommendations following appear representative of better opportunities in this interesting group of securities. *(Please turn to next page)*

Attractive Convertible Bonds and Stocks

Name of Bond or Stock	Rate %	Maturity	Call Price	Price	Current Income	Yield	1926 High	1926 Low	Price of Stock at Which Conversion Would Be Attractive	Recent Price of Stock
Anaconda Copper Mining Debentures....	7	1938	110	107¾	6.50	6.08	107¾	102½	53-65	49
Loew's Debentures	7	1941	105-1A	99	6.06	6.06	Issued 1926		55	39
General Asphalt	6	1939	105	106	5.66	5.35	106½	104½	100	67
General Asphalt Pfd.	5	....	110	108	4.61	...	113¾	94⅞	67	67
Punta Alegre Debentures...........	7	1937	108½	108	6.48	6.00	111	104	55½	34
Am. Dist. Tel. of N. J., Pfd.	7	....	110	109	6.42	...	110½	104	100	66

A—101 for Sinking Fund only.

CONVERTIBLE bonds, when solidly secured by assets and earnings, frequently offer exceptional possibilities for price enhancement. In this respect, they differ from the ordinary run of bonds. This article discusses, in addition to several convertible preferred stocks, several attractive bonds. The article should appeal to that type of investor who, while seeking profit, desires to limit the risk factor.

Anaconda Copper Mining
Conv. Deb. 7s, 1938

THIS is a very large issue, of which 50 millions are outstanding. A junior obligation of the largest copper organization, it is subject to 121 millions in bonds, of which 16 millions mature in 1929 and 104 millions after the maturity of this issue. Despite these large prior liens, the bond is covered by assets more than twice the amount outstanding. Common stock, the junior equity, has an approximate market valuation of 140 millions. The short maturity of these bonds is an added safety factor. Mining bonds are most attractive between a ten and twenty years' maturity, unless cash position and other investments are exceptionally large. Refining operations may be construed as other investments, in part, for the purpose of such analysis.

Anaconda 7s have sold recently at 107 to yield 6.16%. Judged by ordinary standards this yield is only slightly below what should be expected of such a bond irrespective of conversion features. Hence, the bond has reasonable safety, and a good yield. The conversion privilege at present costs but little. But the parity at which bonds may be exchanged for stock is at $53 per share for the first ten millions of bonds presented for conversion. Three dollars a share additional is imposed for each ten millions presented thereafter, so that the last ten millions will be exchanged on a basis of $65 a share.

Anaconda stock is selling at present for about $49 or only $4 below conversion price for the first ten millions. The position of THE MAGAZINE OF WALL STREET has been favorable to Anaconda common stock for specific reasons, and general developments favorable to copper, which are now in evidence, enhance its attractiveness. There can be little doubt but that $53 at least for Anaconda stock is a fair contingency. At this point it would become a live question as to the advantages to be gained by exchanging the bonds for stock. On a current income basis the bonds would be more attractive, but since their enhancement possibilities are limited by the call price of 110, the stock issue would contain all the speculative features. *At any rate, so soon as the bonds touched* 110, *as a result of strength in the stock, the advantages of a conversion into stock would appear decisive.*

Loew's, Inc.
S. F. Deb. 6s, 1941

THE conversion provisions of this bond are more complex than that of the Anaconda debentures. Each debenture bond carries a warrant, entitling the holder, after October 1, 1926, to purchase five shares of common stock at $55 per share, until April 1, 1931, only. The difference getween a warrant bond and an ordinary convertible becomes clear after one such instance. In the case of Loew's, the bond can be considered entirely apart from the warrant value, since it will survive the use of the warrants. At prevailing prices of $39 per share for the stock the warrant privileges have slight value. Hence, the bond, selling at about 99, and yielding 6.10%, must be examined for itself.

It is secured against any weakening of its equities in dividend disbursements. No cash dividend can be paid except out of net earnings, and only if after payment of dividend net current assets would remain more than twice current liabilities, and net tangible assets 1.5 times liabilities, excluding share capital and surplus. Metro-Goldwyn Mayer Corp., a leading subsidiary can incur no indebtedness apart from its guaranty of these debentures. On the stock side, the warrant holder is protected by provisions against diluting the value of his warrant which would come about if the number of shares were inflated. *With interest earned more than five times, and with present stock prices not much more than eight times indicated earnings, and with increasing importance in motion picture business, it appears that the bonds are fairly attractive and that the warrants may have an appreciable value within several years. Both the dividend restriction provisions, and the special warrant protection features, while exceptional, would be well emulated by other corporations.*

General Asphalt Co.
S. F. Conv. 6s, 1939

THIS convertible bond has two features at the outset. It can be purchased in $100 denominations, and conversion rights begin on April 1, 1927. As conversion is to be effected par for par, that is the stock would have to sell at $100 for conversion to be exercised, and present quotation of the stock is at about 67, this delay is not especially significant. Bond is not secured by a mortgage, but has no prior liens outstanding, and no mortgage on company's existing properties or that of its subsidiaries can be levied for the life of this bond. Junior securities, both common and preferred, are valued in the market at approximately 21 millions, or more than four times the amount of these bonds. Interest on these bonds has been earned about seven times in the last two years.

At prevailing prices of 106, to yield 5.35%, and a current income of 5.66%, the bond is selling one point above redemption price of 105. Sinking fund operates to about $125,000 per year. Nevertheless, the limitation of the price of these bonds, which have not risen above 107⅜ in 1925 despite value of conversion feature, indicates that a general refunding will not be attempted.

The merits of the bond being unquestioned, speculative attention centers about the future of the stock. A non-dividend payer, it has earned $5.79 in 1925 and $6.05 in 1924. It has seen a high of 73 and a low of 50 in 1926. At prevailing prices it is selling in line with earnings. Speculative feature is entirely in South American oil developments, in which company's holdings are being worked by Royal Dutch. It is felt that within the next few years this should raise the earning power of the common stock to a much higher level.

Conversion features are found in the 5% preferred stock of General Asphalt also. This stock is convertible into common at the rate of 1½ shares common for one preferred. Parity price is accordingly about 67. Preferred stock sells at 107-8, to yield about 4.60%. *Apart from income received there would seem to be every reason for exercising conversion rights, as preferred stock is redeemable at* 110.

Punta Alegre Sugar Co.
Conv. Deb. 7s, 1937

SUGAR securities have not enjoyed high favor during the great slump in prices, but with a recent upturn carying refined suger to 5.70 cents there has been a revival of interest. While sugar situation has undoubtedly improved basically, it is still true that long term trends in sugar are not yet certain, and that only stronger producers, with comparatively low costs, should be selected for speculative possibilities. The so-called recovery does not contradict some important demand factors that are likely to make the sugar recovery of the present time less marked than after 1921.

Punta Alegre is in a strong position, as a rounded unit, whose properties and that of Baragua are low cost producers, and have large scope, about 1.7 million bags per annum. Production this year will be reduced somewhat, due

(*Please turn to page* 802)

Bonds

BY and large the fortnight's trading in bonds showed a further slight recession, although total business done was not impressive. An encouraging feature was a recovery in quotations that set in after the averages had dipped to a low for the movement. This steadiness was sustained despite a sharp upturn in call money rates.

Great strength was shown in foreigns, principally as a result of confidence engendered by the new union ministry in France. Curiously enough, German securities benefited most, the General Electric of Germany 6½s, at 106, reaching a point where the yield is less than 6%. On the other hand, the religious conflict in Mexico sharply depressed the large Assented 4s of 1910 to 25.

Strength in Consolidated Gas and Brooklyn Union Gas stocks, based largely on merger possibilities, and purchases by Pittsburgh interests reflected in the bond quotations. Consolidated Gas 5½s closed at 105¾, just a trifle under the high of the year. Brooklyn Union Gas convertible 5½s of 1936 sold to 163¼, or 37 points up from the low in March.

Among the rails renewed strength was shown by New York Central 4s of 1942 to 95⅞, almost up to high of the year. Seaboard Air Line refunding 4s were in good demand. The M-K-T adjustment 5s were in demand and up to 93⅞ in response to disclosed unification plans for the Loree southwestern roads. Upward trend in copper prices was reflected in Granby convertible, Anaconda convertible, Chile and Andes Copper. Naturally a slight increase in metal prices, results in an almost geometrical increase in profits for medium-cost producers and adds still more to the margin of earnings applicable to interest and sinking fund on the funded debt of copper companies.

Strength in the foreign issues, although having a tangible basis, seems principally to result from hunger for high yields. Recent financing, being characteristic of mid-summer slowing down and resorting to lower coupon rates, is not satisfying this demand. Hence, attention to foreigns, speculative bonds, and renewed interest in convertibles.

Among the extremely speculative issues, a price of over 70 was established by Denver & Rio Grande Western general income 5s. While anticipation of a payment to be made soon is the principal reason for the advance, time favors the bond, for, as it nears, 1929, when it becomes an ordinary interest bearing bond, its investment quality must become better.

Neither sinking fund purchases nor refunding operations have played any special part in the market this fortnight. The bond market is likely to show steadiness with few marked tendencies away from present level. Only specialties will prove exceptions to the trend. They will focus the mid-summer market.

Bond Buyer's Guide

Bonds for Income Primarily

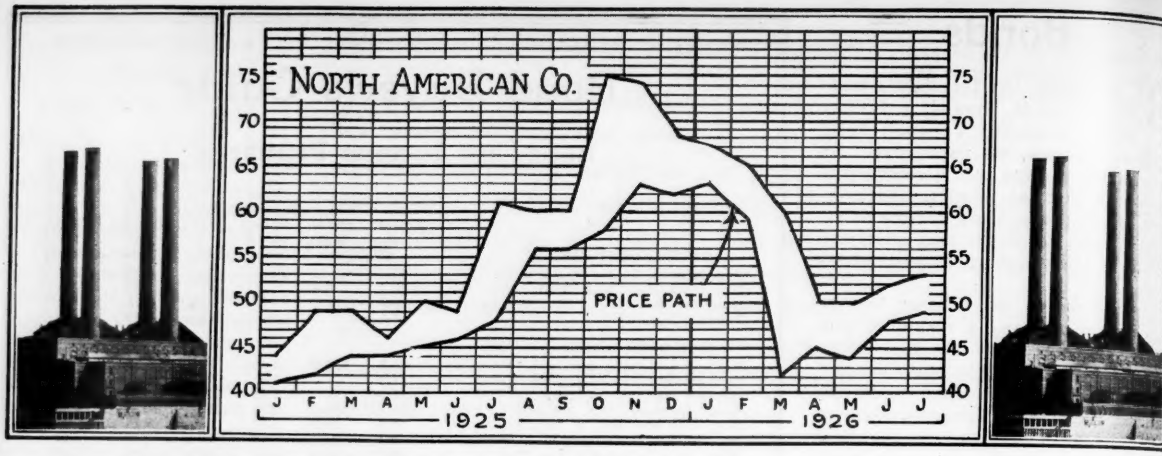
GOVERNMENT ISSUES	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest Earned on all debt	Price	Current Income	Yield to Maturity
Argentine 6s, 1959 ....(a)..	44.8	....	...	99	6.06	6.07
Dominican Rep. 5½s, 1942.........(a)..	6.7	6.4	...	97	5.67	5.84
Haiti 6s, 1952 ....(b)..	15.6	....	...	98⅛	6.08	6.12
Panama 5½s, 1953 ....(a)..	4.4	....	...	102	5.39	5.36
RAILROAD ISSUES						
Baltimore & Ohio, Ref. 5s, 1995...(a)..	60.0	284.0	1.44	96¾	5.17	5.18
Ogdensburg & Lake Champlain 1st 4s, 1948	4.4	....	1.91	79⅛	5.03	5.64
Genesee Riv., 1st 6s, 1957.......... ..	5.7	....	1.44	110	5.46	5.34
Great Northern, Gen. 7s, 1936......(b)..	115.0	139.8	2.75	112¾	6.21	5.33
Kan. City Sou. Ref. & Imp. 5s, '50. ..	18.0	30.0	2.07	98⅛	5.14	5.20
Ky. & Ind. Term., 1st 4½s, 1961.. ..	5.1	....	X	88¾	5.07	5.20
Minn., St. P. & Sault 6½s, 1931.... ..	10.0	74.6	1.16	103¼	6.29	5.79
M-K-T, P. L. 5s, 1962.............(b)..	36.6	31.3	1.69	101¼	4.94	4.93
Missouri Pac., 1st & Ref. 6s, 1949.(a)..	24.1	126.3	1.24	105⅛	5.70	5.60
N. Y., O. & W., Ref. 4s, 1992...... ..	20.0	....	1.29	73¼	5.46	5.52
Rutland, 1st 4½s, 1941............ ..	3.5	....	1.80	92	4.89	5.28
San Antonio & Aransas Pass. 1st 4s, 1943	17.5	....	2.63	87¾	4.56	5.08
Western Pacific, 1st 5s, 1946.......(b)..	27.8	....	2.26	98¼	5.09	5.14
PUBLIC UTILITIES						
Am. W. W. & Elec. Coll. 5s, 1934..(b)..	12.7	....	1.32	97¾	5.07	5.30
Commonwealth Power, 6s, 1947......(b)..	10.1	....	4.28	105	5.71	5.59
Hudson & Manhattan, Ref. 5s, 1957.(b)..	37.5	5.6	1.98	95½	5.24	5.30
Kansas Gas & El. 1st 6s, 1952....(a)..	14.0	....	1.71	105	5.71	5.63
Laclede Gas, C. & R. 5½s, 1953...(b)..	17.5	10.0	1.58	103¼	5.32	5.27
New York Dock, 1st 4s, 1951......(a)..	12.5	....	2.73	84¼	4.74	5.40
New York Edison, 1st 6½s, 1941..(a)..	30.0	38.0	3.71	115⅝	5.61	5.02
Ohio Pub. Ser., 1st & Ref. 7s, '47..(b)..	3.7	4.0	2.61	113	6.20	5.90
United Fuel Gas, 1st 6s, 1936.....(a)..	9.5	....	5.72	103⅜	5.80	5.53
Western Union, 6½s, 1936.........(a)..	15.0	20.0	11.20	112	5.80	4.95
INDUSTRIALS						
Am. Smelting & Ref., 6s, 1947....(a)..	9.6	....	4.92	108¼	5.54	5.34
Anaconda, 1st 6s, 1953.............(a)..	105.5	16.9	1.34	103¼	5.81	5.76
Bethlehem Steel, P. M. 5s, 1936.... ..	22.2	5.1	2.20	96¾	5.17	5.42
Central Steel, 1st 8s, 1941..........(b)..	4.5	....	4.90	120	6.67	6.00
Goodrich, B. F., Co., 1st 6½s, 1947 ....(a)..	22.7	....	5.35	106¼	6.11	6.01
Hershey Choc., 1st Coll. 5½s, 1940.(a)..	19.3	....	5.18	101⅞	5.37	5.34
Int. Paper, 1st 5s, 1947............ ..	6.7	....	7.26Y	93¼	5.36	5.55
Sinclair Pipe Line, S. F. 5s, 1942.(a)..	24.5	....	4.46	90¾	5.51	5.90
So. Porto Rico, 1st Coll. 7s, 1941..(a)..	5.0	....	3.31	107¼	6.51	6.24
U. S. Rubber, 1st 5s, 1947.........(b)..	61.4	2.6	2.91	93⅝	5.32	5.50

Bonds for Appreciation of Principal Primarily

RAILROADS	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest Earned on all debt	Price	Current Income	Yield to Maturity
Chicago Gt. Western, 1st 4s, 1959. ..	34.7	....	0.90	68¾	5.81	6.23
Central New England, 1st 4s, 1961. ..	13.4	0.2	0.67	73¾	5.42	5.75
Erie, Gen. Lien 4s, 1996............ ..	35.9	91.6	1.44	71¾	5.57	5.62
Int. Gt. Northern, 1st 6s, 1952....(b)..	17.2	....	1.34	105⅝	5.67	5.58
Mo. Pacific, Gen. 4s, 1975.........(a)..	49.6	219.9	1.24	72¾	5.49	5.63
Rock Is., Ark. & La. 1st 4½s, '34..(b)..	11.0	....	1.48	93⅜	4.85	5.52
Spokane Int'nal, 1st 5s, 1955...... ..	4.2	....	3.77Z	84¼	5.93	6.17
Western Md., 1st 4s, 1952.......... ..	46.5	2.3	1.18	72½	5.52	6.13
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968..(b)..	92.7	....	1.52	96⅝	6.20	6.25
Indiana Nat. Gas, Ref. 5s, 1936.... ..	6.0	....	1.89	97¾	5.11	5.29
Manhattan Ry., Cons. 4s, 1990	40.7	....	0.86	66¾	5.99	6.05
Market St. Ry. 1st 7s, 1940.......(a)..	12.9	....	2.38	97½	7.18	7.12
Montreal Tramways, Gen. & Ref. 5s, 1955 ....(b)..	2.5	21.4	1.31	93	5.39	5.48
N. Y. & Richmond Gas, 1st 6s, 1951 ....(b)..	2.1	....	1.06	102¾	5.82	5.80
INDUSTRIALS						
Ajax Rubber 1st 8s, 1936..........(b)..	2.4	....	2.23	103½	7.72	7.51
Col. Industrial 1st Gtd. 5s, 1934... ..	31.4	5.3	1.16	90	5.57	6.63
Consolidation Coal, 1st & Ref. 5s, 1950	21.1	8.0	2.52	81½	6.14	6.54
Commercial Credit, Coll. 5½s, 1935.(a)..	5.0	....	2.74	93	5.91	6.54
Republic Iron & Steel, Ref. & Gen. 5½s, 1953 ....(a)..	8.9	11.2	4.48	95½	5.76	5.82
DEBENTURES						
Am. Chain, S. F. Deb. 6s, 1933....(a)..	6.6	....	6.84	101¾	5.89	5.67
Am. Type Founders, Deb. 6s, 1940. ..	5.0	....	....	104½	5.73	5.53
Liggett & Myers, Deb. 7s, 1944.... ..	13.6	....	5.88	122¾	5.70	5.07
Sun Oil, Deb. 5½s, 1939...........(a)..	9.6	....	3.99C	99½	5.53	5.56
SHORT TERMS						
Industrial Bank of Japan 6s, Aug. 15, '27	22.0	....	...	99⅞	...	6.13
Gen. Petroleum 6%, April 15, '28.......	9.3	....	5.18	101¼	...	5.25
Sloss-Sheffield P. M. 6s, Aug. 1, '29.....	2.4	1.7	4.55	103	...	4.93

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

X—Guaranteed by proprietary companies. Y—Recent earnings about $2.16. Z—Interest only guaranteed by Canadian Pacific. C—Listed N. Y. Curb market. All others on N. Y. Stock Exchange.



The North American Company

North American's Expansion Program Bears Fruit

Considering the Common Stock from the Investment Angle

By RALPH RUSHMORE

THE latest statement issued by The North American Company indicates that its program of growth and expansion is now beginning to show concrete results. The management has steadily been building up its existing properties and acquiring control of new properties until now the system comprises properties with annual gross earnings of over 100 millions and combined assets of around 650 millions, making North American the second largest public utility holding company in the United States, and, indeed, giving it prominence as one of our great American industries ranking with the American Telephone & Telegraph Company with $2,938,000,000 of assets, the U. S. Steel Corporation with $2,445,000,000, the Standard Oil Company of New Jersey with $1,369,000,000, General Motors Corporation with $704,000,000, and Ford Motor Company with $742,913,000.

North American subsidiaries include more than twenty-five operating companies, the most prominent being the Cleveland Electric Illuminating Company, Union Electric Light & Power Company of St. Louis, Mo., the Milwaukee Electric Railway and Light Company, Great Western Power Company of California, San Joaquin Light & Power Corporation, and Mississippi River Power Company.

To a large extent the physical properties of the subsidiaries have been interconnected, so that now the North American system has principally been consolidated into four large power situations centering, respectively, at Cleveland, St. Louis, Milwaukee and San Francisco. From these central cities, transmission lines extend over surrounding and adjacent territory, until they now serve very considerable proportions of the best industrial areas of the states of Wisconsin, Missouri, California, Ohio and Illinois.

North American subsidiaries serve a total population of over 5,500,000—a population that is to a large extent industrially employed and prosperous.

Its electric properties have been consistently increasing average business and sales year after year at the rate of 10% per annum. This means that the business of the company has doubled every six or seven years. In addition to this normal growth, the acquisition of new properties from time to time serves further to increase the importance of the system as a whole. Natural growth should shortly make this one of the few billion dollar corporations of the United States.

The increase in output of the North American system during recent months, as compared with the increase in output of the electric power plants throughout the country, appears in the accompanying table.

Each of the four main groups of power properties is served by its own large modern power plants, the efficiency of which constitutes an important element of strength in the North American situation. The Cahokia plant, at St. Louis, operating in conjunction with the hydro-electric development at the Keokuk Dam; the Lakeside plant, at Milwaukee; the Lake Shore station, at Cleveland; and the hydro-electric plants of the Great Western Power Company on the Feather River, representing investments of capital of upwards from $25,000,000 to $50,000,000 each, all are noted throughout the industry for operation at low cost. North American was the first to install pulverized fuel equipment and among the first to utilize to the present extent water for condensing purposes. Its plants have held world records for economies in fuel consumption.

Compared with the power plant efficiency of 1921, the reduced fuel consumption per kilowatt-hour in 1925 has resulted in a saving of over 750,000 tons of coal to the North American system, which, at the average low cost per ton obtaining in 1925, represents nearly $3,000,000.

Dividend Policy

North American's efficiency and low cost of production have been main factors in giving the system power to expand. It has been able steadily to reduce rates, which today are low as compared with other utilities. In 1925 the average revenue per kilowatt-hour of electric sales by North American subsidiaries was only 2.32c, as compared with 2.99c, the average revenue for the electrical industry as a whole. The North American system is able to sell power at a fair profit to industrial plants, railroads and to neighboring utility companies at rates cheaper than it is within their power to produce.

During its period of exceptional growth and development, The North American Company has adopted the policy of paying dividends on the common stock in common stock at the rate of 10% per annum, all the earnings reported as available for common dividends, reserves, etc., being turned back into the properties and used to finance a substantial proportion of the annual requirements for new construction.

The management take the position that so long as the annual growth continues at its existing rate of 10% per annum or higher, it is only fair to ask the common stockholders to contribute their pro rata share of the additional capital. This is accomplished, not by paying cash dividends and then offering additional issues of common stock with rights to stockholders as is done by many other utilities, but directly through the issuance of common stock as a stock dividend.

Earnings

Earnings are reported by the North American system on a conservative basis. The statements currently issued, purporting to show what American common is earning per share, do not reflect the real situation, because they report only the earnings accruing to the company from subsidiaries from date of ownership. Late in 1925, North American acquired control of the Western Power Corporation and the Mississippi River Power Company by exchange of its common stock, and the earnings from these important new acquisitions did not accrue until after acquisition; so that it is not earnings per share on the number of shares outstanding at any particular date that is of importance but earnings per share on the average stock outstanding during the twelve months that should be considered.

Furthermore, analysis of the company's earnings statements develops the fact that their provision for maintenance and depreciation reserve is liberal. During 1925 expenditures for maintenance were reported as aggregating $8,097,208, and, in addition, reserves for depreciation were accumulated of $9,427,912, the total maintenance and depreciation reserves thus amounting to over 19% of gross earnings. These reserves are much larger than are currently required in the operation of the property, as is proven by the fact that accrued reserves for depreciation shown in the balance sheet continuously indicate substantial increase, although, of course, in current operation all actual replacements must have been charged off. Based upon the experience of a larger number of other companies and giving due allowance to the increase in North American's reserves from year to year representing the conservative attitude of the management, we find that a fair provision by North American for maintenance and depreciation would have been approximately 13% of gross earnings. Based upon this normal provision for maintenance and depreciation of 13% and using the average number of shares outstanding month by month, North American common for the twelve months ended March 31, 1926, earned, after proper depreciation and reserves, $5.83 per share.

Improvements

For the twelve months ending June 30, 1926, the North American system reported net income of $49,985,889, of which only $23,946,972 was consumed by interest charges, preferred dividends and other fixed charges, leaving approximately an equivalent amount accruing to reserves and the outstanding 3,892,225 shares of common stock. Based on current prices for the common shares, the equity half of North American's net income is selling at only $195,000,000, as against the fixed charge half valued at $452,000,000 in the form of bonds and preferred stocks. This shows that North American common's speculative possibilities lie in the fact that an increasing proportion of the system's annual increase in net income is bound to accrue to the common shares. For instance, in 1926 the North American system plans to expend $62,000,000 on additions and improvements to existing properties. Of this amount, nearly one-half will be obtained as the result of its stock dividend policy allowing all earnings available for common stock and reserves to be reinvested in the properties for additions and improvements. The balance will be financed through the sale of bonds and preferred stock of subsidiary companies, and the North American subsidiaries command excellent credit. Many of their 5% bonds are currently selling at around 100 and many of their preferred stocks, paying 6% in dividends, are selling around 105. Annual charges which will thus be incurred through the sale of not over $35,000,000 of additional bonds and preferred stock should certainly not be over $2,000,000, and all the earning power of the $62,000,000 of improvements over and above this $2,000,000 will accrue to the additional advantage of the common stock. The usual return allowed by Utility Commissions is 8%.

For many years North American has profited largely from the acquisition of new properties and the bringing of these new properties up to North American's standards of operation and efficiency, thereby substantially increasing their earning power with consequent benefits to the common stockholders of The North American Company.

Conclusion

It is not necessary to go into the future of the electric power industry. The contribution which it has made during the past ten years to our prosperity and comfort is self-evident and the past is only a forecast of further service yet to be rendered. The North American Company system is a factor in over 10% of the electric light and power business of the United States and its output increases substantially more rapidly than does the electric industry as a whole.

This rapid growth in electric output, means of course greater earning power for the 6% Cumulative Preferred stock. There are 606,000 shares of preferred listed, the par value being $50. There was earned on each share of preferred in 1924, $18.20 and in 1925, $21.91. As dividend requirements of 6% call for $3 per annum, it follows that dividends have been earned more than seven times. An increase say of 5% in net earnings for 1926 would mean that $25.70 will be earned on the preferred. The preferred sells for about $51, or not even three times annual earnings, and yields 5.88%. It is exceptionally attractive and may be considered for inclusion in a conservative investment list. The stock, in fact, is selling quite in line with others in its class.

North American common stock, though, necessarily affected by general market conditions, represents an equity of substantial and steadily increasing value.

Electric Output

Total United States*

(In million k. w. h.)

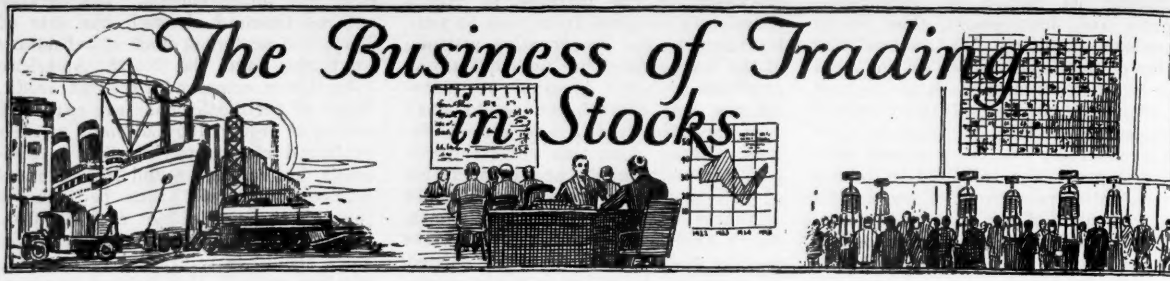
12 Months	1925	1924	% Increase
	65,413	59,049	10.78
Month	**1926**	**1925**	**% Increase**
January	6,121	5,572	9.85
February	5,598	4,982	12.36
March	6,149	5,364	14.63
April	5,774	5,152	11.88
May	5,806	5,189	11.89
Total 5 Mos.	29,448	26,259	12.14

The North American System

(In thousand k. w. h.)

12 Months	1925	1924	% Increase
	3,206,975	2,328,618	38.00
Month	**1926**	**1925**	**% Increase**
January	376,426	232,033	62.23
February	354,364	209,338	69.28
March	403,954	226,302	78.50
April	375,551	213,946	75.56
May	390,200	217,000	79.80
Total 5 Mos.	1,900,495	1,096,219	82.30

*As reported U. S. Geological Survey bulletins.



Part VI: The Principles of Tape Reading

A Series of Articles for Investors by JOHN DURAND

How It Originated

IMAGINE reading the thoughts of some person who is just beginning to take an interest in the stock market, as he glances over the financial sheet of his daily newspaper. Very likely the first item to attract his attention will be a 25-point advance in U. S. Cast Iron Pipe, or perhaps it may be a net decline of 20 points. Looking closer, he will observe pluses and minuses of two or three points or more in a number of other stocks. Had he only bought, or gone short of, a few of those star performers, his profits for the day would have run into the hundreds—or thousands! It all looks very easy.

Should he take the trouble to analyze next day's report of transactions, he might notice that the conspicuous price changes are now mostly in a quite different list of stocks, only a few of yesterday's leaders having remained in the limelight today—some that advanced yesterday may have slid back today, and others "gone dead."

Perhaps all this sets him thinking about how one may profit by such wonderful opportunities. It will scarcely do to rely upon news, which is too meager and too uncertain in its effects. Stocks seem to fluctuate just as vigorously without news as with it, and they frequently have a way of going down on favorable announcements and up on seemingly bad news. Studies of fundamentals and intrinsic value are all right for longer forecasts; but it is obviously impossible that the intrinsic value of a stock should be 200 yesterday, 225 today, and 210 tomorrow. Of course the various pool managers might impart most valuable inside information—*if* one only had access to them, and *if* they would only confide their intentions, and *if* they themselves were always sure of what the day would bring forth.

By a process of elimination, our beginner is driven to the decision that the only possible way to profit by the hour-to-hour and day-to-day fluctuations is to sit by the stock ticker and watch and draw one's own conclusions and act upon them promptly. In other words, he must learn to trade from the tape.

Scalping

The practice of trading in and out frequently with the object of making a small, quick profit on the average turn—known as "Scalping"—is by far the most difficult of all methods of speculating in stocks. There was a time when conditions made it possible for traders of exceptional aptitude to profit handsomely by scalping operations. This is evidenced by the successes of such well known operators as Joe Manning, Jacob Field, James R. Keene, Bernard Baruch, Jesse Livermore, and a number of lesser lights, all of whom began their market careers as scalpers, dealing at first in odd lots, and paying the regular commissions.

But in the meantime many changes have intervened to make scalping more hazardous and far less profitable, especially for non-members who deal either in odd lots or in very large quantities. Commissions and taxes have increased, and the ticker is no longer able to report transactions as promptly as formerly during periods of great activity. We remember one Saturday this Spring when the tape was fifty-five minutes behind the actual market. At such times, the occasional "flashes" that one's broker may receive from the floor usually suffice to close out a trade, but a tape, printing ancient history, is quite worthless as a guide to new short-turn commitments. On the other hand: when the market is relatively quiet, and the tape up to date, fluctuations during the day may be too small to pay expenses.

It is significant in this connection that Jesse Livermore met with his greatest success as a scalper when trading as a boy in now outlawed bucket shops, where one could have an order filled at the latest price out (if they would accept the trade at all). On the Stock Exchange, he found the influence of large lots upon the market, the delay in executing orders, and the lag of the tape fatal to scalping operations, and finally turned to the longer swings as a more lucrative field for trading. In the preface to the 1924 edition of his now classic work on Tape Reading, Mr. Wyckoff remarks: "I do not under present market conditions regard scalping as a satisfactory method of operating; but I believe more firmly than ever that *the best way to judge any of the various phases of the stock market is by its own action.*"

Tape Reading

Strictly speaking, Tape Reading is *the art of forecasting price movements solely from information conveyed by the Tape.* This means that the Tape Reader must draw his conclusions from only five classes of facts—price, volume, activity, breadth and time. An orthodox Tape Reader scorns inside information, news and advice; and devotes no time to analyses of fundamentals and intrinsic value. He is a speculator, with five senses at his disposal, who uses only one, but that one may become so highly specialized through intensive training that it functions at times with marvelous precision.

In the good old days, when expenses were low and the ticker seldom found enough to print to keep itself really busy, your simon pure Tape Reader never carried a trade over night—not even from Friday to Saturday, although such trades bear no interest on long stock and incur no premium on short sales. The reason was that the Tape, his only guide, is silent after the market closes and could give him no clues. Anything might happen between three o'clock one day and ten the next. This circumscribed conception of Tape Reading naturally limited its followers to mere scalping operations.

But now that purely mechanical considerations have practically forced the speculator to carry a trade for more than one day, week or even months, he discovers that wide openings are seldom costly when one operates for the longer swings—they may even prove beneficial. The outcome has been so to broaden the scope of Tape Reading that experts now make use of the method to forecast security price movements of every magnitude and duration, from major to minor. Surely the law of compensation has strange ramifications!

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Example 1

News The Tape Reader's attitude toward news is that the favorable or unfavorable nature of pending events, if known to any big operator or group of traders or investors, will be reflected on the tape by the buying and selling of the possessors of such information, minutes, hours and days before the news tickers and daily papers print the facts. The insider who knows a dividend is to be raised or passed shows his hand on the tape when he starts to accumulate or distribute the stock. Everything, in fact, from a foreign war to the bringing in of a new oil well, from a Supreme Court decision to quarterly earnings, is whispered first into the ears of those who can interpret Tape language.

So-called accidents seem to have an uncanny way of helping the Tape Reader; they frequently find him on the right side of the market, even when the occurrence is of such a nature that it could not possibly have been known to any human being in advance. Explanation for this need not be sought in the miraculous. According to the Law of Averages, we may attribute 50% of such phenomena to coincidence; perhaps 10% are due to the well known habit of speculators to forget their losses while recalling and boasting of their lucky trades; and the remainder are to be accounted for by certain characteristics of what is known as the "Technical Position."

Technical Position The speculator who would become proficient as a Tape Reader should form the habit of trying to visualize both sides of the Tape. It is not electricity, or a cranked up weight, that causes the Ticker to print coldly, X 10.144$\frac{1}{8}$; but some sudden flash of great psychological forces at work beneath the human drama of speculation and investment that is continuously being enacted behind the scenes. At a certain moment, some seller met a buyer in the auction arena of Wall Street, and the two managed to agree upon 144$\frac{1}{8}$ as a mutually satisfactory price for 1,000 shares of Steel. It was this momentary meeting of two minds, actuated by conflicting interests, that caused the Tape to report a few seconds later—not a sale; but a purchase *and* a sale—a bilateral transaction. With what respective market groups are the two parties to this transaction associated? What motives led one to sell, and the other to buy 1,000 shares of Steel just then at that price? Which of the two opposing views on the market outlook is destined to prove correct? Or are they both right—one for a brief turn, the other for the long pull? These are the big questions that must be asked by the Trader, and answered by the Tape.

It is not business conditions, nor manipulation, nor values, nor news that produce price changes; but the conflicting and ever shifting mental attitudes of speculators and investors. For this reason the Tape Reader will find it helpful, in the important study of market psychology, to classify traders according to the principal motives that actuate their decisions to buy and sell. Among the more important of these deciding factors are: the emotions of fear and hope, aroused by news announcements and price movements; desire for profits; chagrin over losses; impatience; opportunism; imitation; desire for income; manipulation; transfer of ownership; liquidation of estates; exhausted margins; and need for cash.

The market effect of an unfavorable occurrence, that could not have been discounted in advance, will depend upon the extent and intensity of its appeal and the state of mind in which traders are caught. The *Lusitania* catastrophe, for example, immediately aroused such a powerful and universal feeling of gloom that the market crumbled precipitately; although bull pools were in the saddle and prices all around the room were rising, at the time it was announced. Here the so-called "Technical Position" was strong; but the unfavorable influence was so powerful that it oriented the minds of the great majority of traders throughout the Country toward a belief in immediately lower prices.

But such instances are exceptional. Ordinarily, when the Technical Position is strong, it cannot become permanently weak until big operators and the pools have reversed their position; and they cannot do this without showing their hands on the Tape. The truth of this has seldom been more clearly demonstrated than the morning when the news ticker came out with the San Francisco fire. The Technical Position was strong at the time, and prices actually went up during the first hour after the opening. Then gradually, as the widespread economic loss from that disaster began to dawn upon people's minds, one could read clearly from the transactions that the Technical Position was reversing. The Tape gave ample warning to get out. You can seldom put prices up or down by talk alone; and if you do, they will not long stay put. Talk may help; but it must be reinforced by buying, or selling.

"Technical Position," and "Trend," are two terms that are frequently confused in Wall Street discussions. Technical Position may be defined as *the market's latent ability to withstand adverse influences.* We say, "latent"; because the Tape Reader can never be certain in diagnosing the Technical Position as strong, or weak, until the market is actually confronted with some adverse influence. The Tape may say to some big operator, for example, that a certain stock is probably going up. But, instead of buying, he might first throw 10,000 shares on the market in one block to test its strength. If the price did not give way more than, say, ½ point under the selling, he would conclude that his judgment of the technical position had been confirmed, and would immediately cover the 10,000 shares and go long. The bullish indications would be still further strengthened if he had to climb for some of the long stock.

Trend indicates *the general direction in which prices are going to move on balance.* The term is meaningless unless qualified by words to designate which of the several types of price movement one has in mind. The "long pull" trend may be upward, for instance, with the "immediate" trend downward. TREND does not mean the direction in which prices are now moving, although this will at times coincide with the direction in which they are going to move. TREND is a term to be used by the forecaster, not the historian.

A strong technical position usually points to an upward trend, and vice versa; but the entire position and outlook will change sometimes very quickly. There is no uniform relation between the degree of strength, or weakness, of the technical position and the magnitude or duration of the ensuing price movement. A light breeze may carry a piece of paper quite a distance through the air; yet a hurricane could not drive it the fraction of an inch into a masonry wall. Technical position supplies the driving and steadying forces to the market; but

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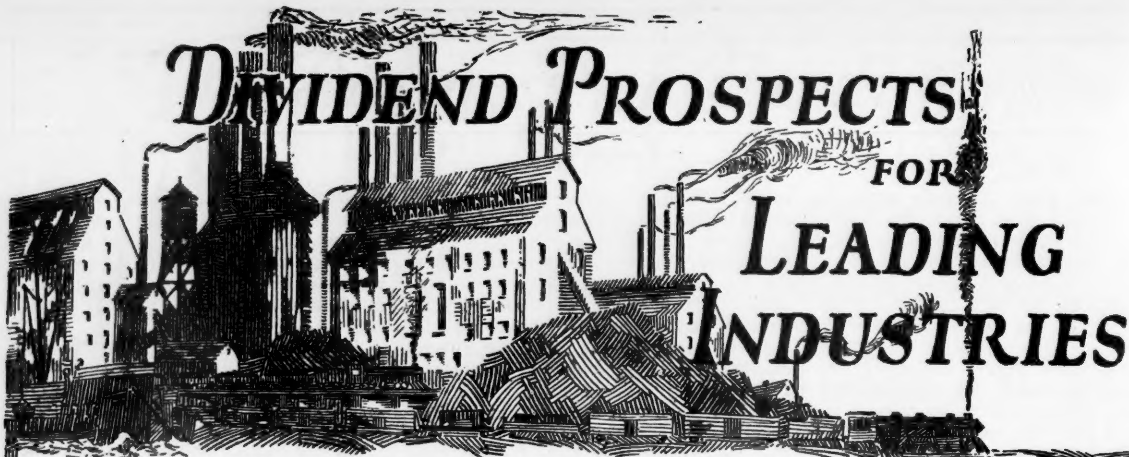
A Recent "String" on the Tape.

Dividend Prospects for Leading Industries



Motor Accessories · Chemicals · Building · Steel · Automobile · Merchandising · Tire · Miscellaneous Manufacturing

As at the beginning of the new year, it is customary to pause on the threshold of the mid-season period and take stock of business and market prospects. From the investor's viewpoint, it is also interesting at this juncture to consider the possibilities of leading security groups in respect to the first half-year's performance. Such a review sheds light upon the outlook for dividends and earnings in the next six months. Since the majority of companies have, by now, released their earnings statements for the first and second quarters of the year, it is possible to formulate fairly definite opinions as to their possible dividend action for ensuing months.

Where, however, actual earnings have not been made available, we have found it necessary to estimate. We have set forth such estimates in the following tables, accordingly, insofar as we have felt that our studies of the progress of the various companies justified the belief that such estimates could be made with a reasonable degree of accuracy.

In the text accompanying each table, we have painted a brief picture of the position of each industrial group from a general standpoint so that the reader may have a broad background from which to draw specific deductions and also a better understanding of our comments on the individual stocks which compose each group. In the tables, this comment has been confined entirely to dividend prospects. Forecasts of anticipated dividend action are based, as already stated, on a period covering the next several months. It would obviously be impossible to know definitely what the management of a given company may propose to do in regard to dividends in the quite immediate future.

Hence, we have limited ourselves mainly to an analysis of the actual status of each company with consideration to its financial condition, trade position and earning capacity. From these conditions we have drawn our deductions as to the underlying ability of each individual company to begin, maintain or increase dividends, as the case may be.

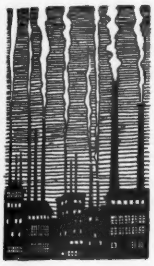
The reader should not assume that because we believe a given company is *in a position* to increase its dividend or because present conditions would seem to justify such action that this is necessarily a guarantee that it will do so. We are merely discussing such increases from the angle of *ability* to do so. It is important, however, to know which companies could, if their managements saw fit, increase dividends just as it is important to know those whose dividends are not entirely secure.

It does not follow, incidentally, that because a company's earning may seem to justify an increase in dividend payments, increases will be forthcoming at once or even in the more immediate future. Excess earnings may be withheld for the purpose of building up larger working capital or for other purposes. Eventually, the increase will probably be put into effect, but it would obviously be difficult to predict just *when* with any degree of precision.

It will be observed that each stock has been given a rating in order to make the forecasts of even greater practical value. Thus: an (A) rating means that the issue so marked is considered attractive around current prices. (B) means unattractive and (C) high enough. These descriptions refer purely to the market outlook for each stock and, as a rule, an investment position is taken. That is to say, we have sought to answer the question whether a stock is a desirable commitment at prevailing prices primarily from the standpoint of its attractiveness as an investment based upon earnings, yield and price enhancement. The speculative angle has been given consideration where the nature of the issue precludes giving treatment as an investment. In order to provide for cases where an issue has investment merit and should eventually reach higher levels but cannot be considered especially attractive at present, we have added a (Cs) rating which means high enough for the present.

The Steel Industry's Unusual Year

Exceptional Stability of Prices and Production—Earnings Large



UNLESS all signs fail, when the industrial history of the current year is finally written, the story of steel's extraordinary showing will not be the least interesting chapter. Time alone will determine whether the appelation "prince and pauper" may be rightly applied to the steel business in future years. But in 1925 and in the first half of the current twelve months, that opprobrious term certainly could not be attached with justification to our greatest basic industry.

While last year's showing was extremely gratifying to the steel companies, largely because of the tendency toward greater stability and softening of the customary variations of prices, demand and production, it is extremely doubtful that the most optimistic forecaster would have ventured to predict such a surprisingly fine show of stability as has been made to date.

It is practically inevitable that the summer season should witness a slump in volume of production and a falling off in demand at the mills. In 1926, however, the customary post-spring period of lessened activity has been slow to put in an appearance. New business has held up remarkably well and producers are curtailing output grudgingly. Moreover, while the relative weakness in pig iron markets has struck a sour note, advances in certain steel products not so long ago have startled precedent.

If, as seems quite probable, the steel industry experiences its customary fall revival the recovery from seasonal influences will start from a comparatively high level this year. It is fortunate that this should be so from an earnings viewpoint for, as is well known, the steel business is still rather too generously equipped with steel-making facilities.

In the stress of competition, producers have vied with one another in expanding plant capacities so that a high rate of operations is essential to the maintenance of profit margins. The incubus of war-time expansion has not been entirely removed by normal growth in consumption. Hence, in the rush to secure orders in volume, steel makers have been unable to exert any marked control over prices.

In fact, the predominating trend of finished steel quotations has been downward for more than a year. Yet, in spite of this unfavorable development, net earnings in the first half of 1926 on the whole were above those for the corresponding period a year ago. Maintenance of high production schedules, of course, has gone a great way toward saving profits but without intensive application to operating economies in the form of labor saving devices and other improvements, earnings would have made a sorry showing.

While the steel producers have been operating against smaller backlogs of unfilled orders than they are accustomed to, nevertheless, the steady inflow of new business for immediate delivery has been such that operating schedules have been tuned to a high pitch. The building and motor industries have contributed much to this result by virtue of record activity. The oil industry has added its fair share and railroad prosperity has been another potent influence, although the slump in freight car and locomotive demand has caused this last consuming class to yield some of its relative im-

Position of Leading Steel Stocks

	Earned per Share			Price Range							
	1924	1925	6 mos. 1926	1925 High	1925 Low	1926 High	1926 Low	Recent Price	Div. Rate	Yield %	COMMENT
Bethlehem Steel	2.57	5.30	4.36	53	37	50	37	45	...	..	Nearing end of ambitious construction and improvement program. Rapidly working into position to resume divs. (A)
Col. Fuel & Iron	1.05	4.65	5.06	48	32	47	28	45	...	..	Net income has shown marked improvement as result of operating economies. Outlook brighter but divs. not immediately probable. (A)
Crucible Steel	r4.55	r5.05	4.07	84	64	81	64	74	5.00	6.8	Sharing in currently favorable steel business. Div. being covered by ample margin. No change likely. (C)
Gulf States Steel	7.48	7.17	2.77	95	67	93	62	75	5.00	6.7	Strong financial condition. Production costs relatively low. Good average earning power but no early increase indicated. (A)
Inland Steel	4.04	3.53	2.55	50	38	43	35	41	2.50	6.1	Has excellent record. Comparatively stable earning power. Div. well covered. No change in prospect. (CS)
Ludlum Steel	1.87	2.97	s1.50	60	31	58	31	38	2.00	5.3	A rather inconsistent profit maker. Present rate seems close to current limit. (B)
Otis Steel	nil	1.06	1.49	15	8	14	9	11	...	...	Recent financing and recapitalization of pfd. has strengthened position but common has uncertain div. outlook. (B)
Penn. Seaboard	nil	nil	s nil	3	1	2¼	1⅛	1¼	...	..	Showing smaller deficits. Prospects still dubious. Divs. long way off. (B)
Replogle Steel	1.18	1.30	s0.50	23	12	16	9	10	...	..	Has yet to show earning power of sustained or satisfactory character. Divs. remote. (B)
Republic Iron	0.55	6.88	5.22	64	42	63	44	58	4.00	6.9	Good showing made last year and first half of this reflected in resumption of div. payments. (CS)
Superior Steel	nil	1.26	2.23	41	20	27	20	23	2.00	8.7	Extremely erratic record. Recovery in recent months followed by div. resumption in April. (B)
Sloss-Sheffield	10.47	15.10	nf	143	80	141	103	122	6.00	4.9	Capable of showing large earnings under existing conditions and could readily pay more. (CS)
U. S. Steel	11.77	12.86	8.08	139	112	153	117	153	7.00	4.5	Management practically on record as opposed to immediate change in div. policy but may revise plans. (CS)
United Alloy	0.54	3.26	nf	36	24	36	26	33	2.00	6.1	Div. resumed in Jan. Going into consolidation with Central Steel Co. (CS)
Vanadium	1.80	4.39	s3.00	34	25	37	29	36	3.00	8.3	Profits intimately dependent upon conditions in motor industry. Apparently paying close to limit. (B)
Va. Iron Coal & Coke	0.68	nil	def.	46	30	50	40	43	...	..	Little in past record or near future to encourage hope of div. for some time to come. (B)
Youngstown Sheet & Tube	6.68	12.38	7.58	92	63	94	69	94	4.00	4.2	One of strongest and most successful of independents. Div. increase a growing probability. (CS)

r Yr. ending Aug. 31. Earnings for four mos. ending Dec. 31, 1925=2.70. (A) Attractive. (B) Unattractive. (C) High enough. (CS) High enough for present. nf Not available. s Estimated.

portance to the motor and building trades.

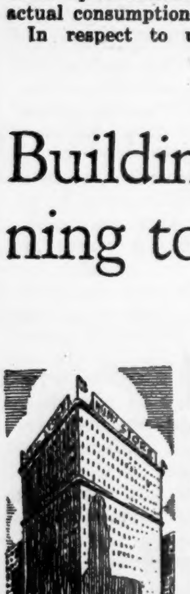
It is probable that this relationship will undergo a reversal to the original status in the next few months. This is to say, the railroads would seem to be a more reliable sales prospect for the steel producers than the motor or building consumers since there are indications that the latter are moderating their pace. Steel production, in fact, is likely to be modified a little in the more immediate future, especially since it seems probable that some of the the steel now being made is going to build up inventories rather than into actual consumption.

In respect to prices, there seems nothing definite on which to base expectations of a drastic change. The market is slightly irregular and pig iron is showing rather poor form. On the whole, however, the final half of the year holds no unfavorable possibilities so far as can be foreseen.

Two independents have already resumed dividends after a considerable lapse. A few more companies are in a position to treat shareholders more liberally despite the fact that competition is forcing the steel makers to divert a large share of earnings toward plant expansion and improvements. Such increases will probably hinge upon the unfolding of third and fourth quarter results, however.

Building Operations Beginning to Develop Irregularity

Signs of Over-Expansion



DESPITE the continuing belief that the building boom must terminate, construction activities have confounded the prophets by mounting to new peaks in each of the last two years. Though it is quite apparent that the housing shortage was long ago cancelled, still the pace of construction has only lately begun to slacken.

The volume of new building last year has been estimated at 8 billion dollars which compares with an estimated volume of but 6.3 billion dollars the year before. During the fore part of the current twelve months, equally striking gains were made as shown by the more than 15% expansion in value of building contracts awarded in representative sections.

Up to this point, therefore, companies related to the building industry have had little of which to complain. But it is the future rather than the past that is of most concern and in this respect optimism must at least be tempered. As already stated, it is fair to infer that the housing shortage is now a part of history. Apartment house rentals have receded perceptibly from peak levels in many quarters. Return of the pre-war practice of offering concessions in the form of free rent for short periods may be taken as evidence that landlords rather than tenants are now in competition with each other. This would indicate that the supply of apartment house space had begun to outbalance demand.

Construction activities have also developed a very irregular tendency between the various sections of the United States. Thus, while the New York and New Jersey districts have been reporting substantial increases over corresponding months a year ago, returns from other districts paint a different picture. The New England and Middle Atlantic sections have shown gains, but withal such small ones as to suggest that a recession is underway. The Central West and Southeast have also shown a tendency to fall well behind the leading Eastern district.

These irregularities are not be construed as foreshadowing a severe or perhaps even a material slump in the building industry but they must at least be given weight as an indication that the second half-year will be productive of activity on a lower plane. From the viewpoint of the building materials companies, such a slackening is of relatively greater importance than the decline in building is to construction companies. The reason for this is that, spurred on by several years of unprecedented building and consequent demand for cement, lumber and the like, these concerns have greatly expanded productive facilities.

As long as building operations continue at fever pitch, the pressure of demand for materials is sufficient to absorb the enlarged supply so that prices have held up fairly well, though the predominant tendency has been to seek a lower level. Even now, in spite of relative stability, prices are actually at the lowest in four years. It is evident, therefore, that a cautious attitude must be taken toward the building supply companies for a slump of any ma-

Position of Leading Building Stocks

	Earned per Share 1924	Earned per Share 1925	Earned per Share 6 mos. 1926	Price Range 1925 High	Price Range 1925 Low	Price Range 1926 High	Price Range 1926 Low	Recent Price	Div. Rate	Yield %	COMMENT
Alliance Realty	d4.14	d4.67	1.72	d35	d35	50	45	45	2.00	4.4	Solidly established co. Earnings have shown sharp gains in recent years. Common recently split four for one. Could pay more. Inactive. (CS)
Amer. Radiator	a8.58	8.97	nf	122	89	120	102	109	4.00	3.7	No indication of early change in company's position. Div. rate conservative. Able to support higher rate. (C)
Certain-Teed Products	6.41	4.64	nf	58	40	49	36	48	4.00	8.3	Erratic record. Good showing made in past two years, but prospects not clearly defined. (C)
Devoe & Raynolds, Cl. A..	d5.37	3.69	3.89	90	53	104	34	37	2.40	6.4	Sound company with good record. This year's earnings affected by unfavorable spring weather. Not likely to change div. policy. (C)
Foundation Co.	13.45	10.10	nf	183	90	179	85	93	8.00	8.6	Earning power variable but considerably above average of former years. Covering div. by comfortable margin. (C)
Glidden Co.	2.53	4.06	m0.89	26	12	25	16	16	2.00	12.5	Joined div. class comparatively recently. Earning capacity not well established. Rate insecure. Profits lower. (B)
Internat. Cement	7.55	6.63	s2.50	81	52	72	51	56	4.00	7.1	Sound company but industry showing signs of over-expansion. No change in rate anticipated. (C)
Long Bell Lumber, Cl. A..	6.75	8.10	3.30	54	43	50	42	43	4.00	9.3	Div. seems reasonably secure. Earnings relatively stable for business of this character. Good yield. (A)
Otis Elevator	11.66	12.81	7.28	140	87	129	106	117	6.00	5.1	Building activities an important factor. Strong financial status. Div. well protected. Possibility of increase. (C)
U. S. Realty & Impr'ment.	d6.91	d8.13	s4.50	d73	d45	72	48	60	4.00	6.7	Has substantial Backlog of unfinished business. Strong financial position. Income from real estate holdings sustained. Possibility of larger div. later on. (A)

a After making allowance for 50% stock div. d Based on 1926 capitalization. Price figured on basis of stock split up. (A) Attractive. (B) Unattractive. (C) High enough. (CS) High enough for present. m Six months ended April 30. nf Not available. s Estimated.

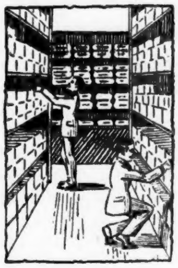
terial proportions in building operations would be bound to affect earnings intimately.

Fortunately, the majority of these concerns have built up substantial reserves out of profits accumulated during the recent era of pronounced prosperity and hence are well able to withstand a decline of some proportions. The important consideration for the investor, however, is that despite the possibility of some further dividend increases, extreme discrimination is advisable in selecting commitments among the building group.

Companies whose business is diversified and not wholly dependent upon the trend of building are not so susceptible to the unfavorable possibilities now beginning to be faintly outlined, of course. Others are protected by rental revenues so far in excess of current dividend requirements that little short of a protracted depression would be likely to shake the integrity of payments. Real bargains, however, cannot fairly be said to exist in the building stock group at the present time.

Merchandising Companies Make New Sales Records

Large Units Strengthening Their Position—Market Prospects Vary



BARRING the unfavorable spring season, during which unsettled and generally unseasonable weather conditions retarded sales, the merchandising companies have had practically nothing of which to complain. The spring produced discouraging results for retailers of footwear and apparel since theirs is a business which is intimately dependent upon the weather. The chain store and mail order groups felt but little of this influence. While department store sales were affected, the wide diversity of operations permitted them to make good in other quarters whatever loss may have been occasioned by slack in strictly seasonal lines.

The steady growth in sales of these different merchandising enterprises, obviously, has been based upon the high average level of public purchasing power. While business has had some periods of doubt and hesitation, there have been no setbacks of sufficient

Position of Leading Merchandising Stocks

	Earned per Share 1924	Earned per Share 1925	Earned per Share 6 mos. 1926	Price Range 1925 High	Price Range 1925 Low	Price Range 1926 High	Price Range 1926 Low	Recent Price	Div. Rate	Yield %	COMMENT
Assoc. Dry Goods..........	4.95	4.73	nf	61	46	55	38	41	2.50	6.1	Earnings henceforth likely to expand less rapidly but prospects good. Could ultimately pay more. (A)
Bloomingdale Bros.	2.83	3.76	nf	..	..	31	28	30	...	.	In good financial condition. Gross business still expanding, but somewhat irregularly. In position to begin divs. (CS)
First Nat'l Stores.........	nf	2.56	nf	40	38	49	30	32	1.50	4.6	Comparatively recent consolidation of grocery store enterprises. Small increase possible but not probable. (C)
Gimbel Bros.	7.04	4.83	nf	83	47	79	45	53	...	..	Earnings reduced as result of expansion expenses. Divs. still seem well removed. (C)
Hartman Corp.	2.96	3.19	1.72	37	25	35	26	27	v2.50	9.2	Status materially improved since discontinuance of mail order business. No early change in div. policy indicated. (CS)
Kinney, G. R., Co.........	11.19	11.70	nf	103	72	82	54	54	4.00	7.4	Good margin over div. but financial position needs strengthening before increase is justified. (C)
Kresge, S. S., Co..........	d4.06	d3.17	1.43	d88	d35	82	43	52	1.20	2.3	Business still expanding. Could pay larger cash div. though increases may take form of stock in due course. (C)
Kresge Dept. Stores.......	e0.51	e nil	s nil	45	28	33	15	23	...	..	Has failed to come up to expectations. Outlook uncertain. Divs. remote. (B)
McCrory Stores B..........	4.33	4.64	1.52	127	87	121	72	80	a1.60	..	Record closely parallels that of other leading "five and tens." No changes in div. policy anticipated. (C)
Macy, R. H., & Co........	e6.70	e10.05	nf	112	69	106	87	102	..	..	Expansion program will probably delay consideration of divs. for some time. (CS)
May Dept. Stores..........	e10.65	e12.40	nf	139	101	137	107	117	5.00	4.3	Covering present divs. by very wide margin. Earning power shows capacity to pay more. (C)
Montgomery Ward	6.18	8.05	nf	84	41	82	56	69	...	..	No apparent obstacle to inauguration of div., which seems merely question of time. (A)
Nat'l Cloak & Suit........	9.44	1.37	nf	84	49	57	21	26	...	..	Losing ground. Earnings still show disturbing downward trend. Divs. unlikely. (B)
Nat'l Dept. Stores.........	e4.23	e2.34	nf	45	38	42	26	28	...	..	Has not lived up to early promise. Earning power yet to be established. Divs. still remote. (B)
Oppenheim Collins	nf	k4.66	nf	k53	k41	60	47	57	3.00	5.3	Fairly consistent earning power in good times or bad. No change in rate indicated. (C)
Schulte Retail Stores......	d6.26	d8.69	nf	d92	42	138	43	46	...	..	Gave rights amounting practically to 150% stock div. in March. In position to pay cash divs. on new shares. (C)
Sears Roebuck	d3.47	d5.22	nf	d59	d36	54	45	53	2.50	4.7	Present div. well within company's earning capacity. Higher rate probable eventually. (C)
United Cigar Stores........	4.83	5.95	1.96	115	60	100	83	96	f2.00	2.1	Possibility of extra distribution out of real estate holdings. (C)
United Drug	15.46	12.64	s8.00	162	110	167	134	153	8.00	5.2	Earnings running better than 50% ahead of div. requirement and still growing. Could pay more in due course. Split-up possible. (CS)
Woolworth, F. W., Co.....	7.95	9.46	nf	220	112	222	136	170	x4.00	2.3	Will doubtless pay more in future, either through cash extra or stock. (C)

k Last 6 months 1925. e Yr. ending Jan. 31, 1925 and 1926. v Payable in stock. d Based on present capitalization. a And 3% in stock. f Also 5% in stock. x Not including extra. (A) Attractive. (B) Unattractive. (C) High enough. (CS) High enough for present. nf Not available. s Estimated.

consequence to halt the rise in gross volume of distribution. Moreover, business has been conducted with remarkable freedom from speculation in commodities for some time past. Merchants have purchased conservatively and have avoided accumulation of burdensome inventories. This has materially increased stability of earnings.

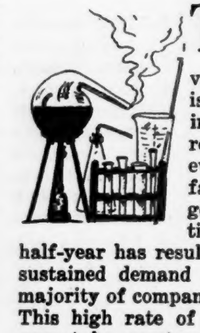
The smaller retail establishments, however, have not done so well as a superficial review of conditions might indicate, despite these favorable inferences. Unquestionably, the steady expansion of the five and ten-cent stores and department chains has been accomplished at the expense of the retailer.

Broadly speaking, however, the department and chain stores as well as the mail order houses are still forging ahead, nor is there anything in the industrial or trade prospect which might suggest that the next six months will witness a halt in the expansion of gross and net earnings. From a security market viewpoint most of this present and prospective prosperity has been very thoroughly discounted.

Dividend increases and stock splitups have been quite common among the five and tens, but even after making liberal allowance for further probabilities along these lines, stocks in this group afford low income returns and appear to have decidedly limited appeal from the angle of further price appreciation. The department store issues present a few opportunities since this discounting process has not been carried to the same extreme as in the case of the former. Here, then, as in the mail order group, it is largely a question of examining the position and prospects of individual companies.

Mixed Conditions in the Chemical Industry

Fertilizer Outlook Unpromising—Profit Margins Narrow



THE broad term "chemicals" embodies a host of various raw and finished materials entering directly or indirectly into almost every line of manufacture, hence the general industrial activity of the past half-year has resulted in a normal and sustained demand which has kept the majority of companies close to capacity. This high rate of operation, however, cannot be construed in every case as indicative of large profits. It is undeniable that competition has been keen and has resulted in some price cutting, although, generally speaking, price levels have been fairly well maintained. Again, large demand has made itself felt in the raw material markets, as exemplified by sulphur, and with rising prices, a constriction of the profit margin has ensued in many cases.

Manufacturers of heavy chemicals, such as the acids, of which sulphuric deserves special mention as the barometer of the trade if not one of business generally, the alkalies, alums, phosphates, etc., are essentially the backbone of the industry. Their strength, at least from the sales standpoint, lies in the diversity of the lines to which they contribute. Not only have they met the demand of the chemical industry itself in supplying these products as raw materials for other compounds and derivatives, but they have also benefited by the sustained activity in steel, the metal industries, paper and the oils. Subject, as they are to the same major influences of competition and close margins already mentioned, still their activities should be reflected in fairly satisfactory earnings.

Insecticide sales have been somewhat retarded by the late emergence of the weevil in the cotton growing districts and heavy spring stocks, but are expected to react to the later vigorous attacks of the pests and the prospective heavy fruit crop.

The dye manufacturer has, in some measure, reflected the depression in textiles, just as the producer of tanning materials has not profited to the full because of the dullness in leather. On the other hand, the makers of paint, varnish and roofing materials, together with the lines which supply them, have enjoyed a business volume incident to the large and continued amount of

Position of Leading Chemical Stocks

	Earned per Share 1924	1925	6 mos. 1926	Price Range 1925 High	1925 Low	1926 High	1926 Low	Recent Price	Div. Rate	Yield %	COMMENT
Allied Chem. & Dye	7.25	8.18	nf	116	80	142	106	142	4.00	2.8	Large supply of working capital may lead to some favorable action in view of recent earnings. (C)
Amer. Agric. Chem.	n Nil	n1.02	s Nil	29	13	34	15	18	...	...	No common divs. in sight until profit and loss deficit and pfd. div. arrears are paid off. Outlook in this respect is still cloudy. (B)
Comm. Solvents Cl. B	20.10	13.82	6.32	189	76	171	119	160	...	...	Class B shares now only capitalization. Co. proposed to begin divs. later in year. An erratic speculative issue. (B)
Davison Chemical	Nil	Nil	s1.00	49	27	46	27	37	...	...	Highly erratic earning power. Doing better but position speculative. Div. outlook not encouraging. (B)
du Pont, E. I.	12.46	17.47	14.51	271	134	264	193	253	c10.00	3.9	Holdings in General Motors a source of substantial revenue. Extra div. on latter will probably be passed on to Du Pont shareholders. (CS)
Int'l Agricultural	n Nil	n0.89	s Nil	24	7	26	14	14	...	...	Still has 14% unpaid preferred divs. to clear up. Action in respect to common appears remote. (B)
Mathieson Alkali	5.35	8.77	s5.50	107	51	106	63	77	4.00	5.2	Status materially improved in recent years. Earnings show gradual uptrend, foreshadowing larger disbursements in future. (CS)
Nat. Distillers'	1.16	0.94	s Nil	43	16	34	13	18	...	...	Outlook uninviting especially in view of fact that no divs. are being paid on pfd. stock and none seems in sight. (B)
Tenn. Copper & Chem.	0.14	1.08	s0.50	16	7	16	11	12	1.00	8.3	Fairly satisfactory copper business should offset slow fertilizer trade. No change in div. seems in prospect. (C)
Union Carbide & Carbon	6.30	7.58	3.77	81	65	86	78	84	5.00	6.0	Strongly intrenched with well developed earning power. Increasing net income should result in more liberal rate eventually. (A)
United Dyewood	2.40	1.22	nf	20	9	12	10	10	...	...	Widely variable earning capacity. Poor results shown in last two years. Div. outlook dubious. (B)
U. S. Indus. Alcohol	11.74	6.74	nf	98	70	75	46	52	...	...	Meeting sharper competition in alcohol field. Earnings affected although other lines should do better. Divs. not in early prospect. (C)
Va.-Carolina Chem.	qm Nil	qm Nil	Nil	21	17	25	13	14	...	...	Reorganization completed. Co. has long way to go before common can be regarded as a div. possibility. (B)

c Not including extras. m Earnings of old company's prices of new company's stock. n Year ending June 30. q Year ending May 31. (A) Attractive. (B) Unattractive. (C) High enough. (CS) High enough for present. nf Not available. s Estimated.

building operations. The growing use of lacquers, cellulose paints and artificial leathers has materially benefited the producers of the various alcohols and related solvents. The growing rayon industry is a further field which has contributed heavily to the business of solvent manufacture. In connection with alcohol it is pointed out, that the tendency has been toward over-production and the volume has been such as to keep prices at disappointingly low levels. Moreover, a rather sharp drop in molasses values has entailed substantial inventory losses to some producers.

The fertilizer companies present the poorest aspect of the chemical group. After four years of adversity following the break in farm commodities in 1921, it appeared from last year's record that their fortunes had turned for the better. **This year, with manufacture and stocks in accord with favor-**

(Please turn to page 803)

Manufacturing Industries Generally Prosperous

Electrical Equipment Companies in Strong Position—Farm Implement Business Active

THE manufacturing industries embrace a wide and not wholly related field of producing enterprises whose operations are dependent upon dissimilar influences. Thus, the electrical equipment manufacturers set their plans according to the requirements of public utility companies while the farm machinery makers, of course, prosper only as agriculture flourishes. Then again, companies which cater to the equipment needs of the oil industry must find their fortunes intimately tied up with those of the petroleum business. There are many more, however, which cannot be classified readily under one specific group, such as the makers of refractory materials, pumping and other heavy machinery, or labor saving devices used in the ordinary business office.

Obviously, the electrical equipment

Position of Leading Manufacturing Stocks

	Earned per Share 1924	Earned per Share 1925	Earned per Share 6 mos. 1926	Price Range 1925 High	Price Range 1925 Low	Price Range 1926 High	Price Range 1926 Low	Recent Price	Div. Rate	Yield %	COMMENT
Adv. Rumely (pfd)	3.49	4.32	nf	20	13	63	49	53	3.00	5.7	Costs reduced and volume of sales shows good gain over 1925. Heavy bank loans militate against div. increase. (C)
Allis-Chalmers	8.02	8.78	4.18	97	71	94	79	86	6.00	7.0	Continuation of earnings at rate of last two years suggests possibility of extra. (A)
Amer. Can Co.	d3.42	d5.49	nf	d49	d26	62	39	62	2.00	3.2	No halt in progress indicated. Current div. conservative. Could pay more. (C)
Case Thresh. Mach.	nil	14.49	nf	68	24	175	63	175	...	..	Has only $7 arrears on pfd. to pay up before giving consideration to common divs. Prospect for payments brigthtening. (C)
Chicago Pneu. Tool	6.04	6.88	4.25	128	80	120	95	114	5.00	4.4	Earnings in first half year suggest possibility of moderate increase in div. disbursement. (C)
Continental Can	9.16	10.60	nf	93	60	90	70	83	x5.00	5.8	Sharing fully in prosperity of can making industry. Could support more liberal rate. Paid $1 extra in Feb. (A)
Congoleum-Nairn	3.78	1.12	0.84	43	15	26	13	22	...	..	Reduction in costs and improvement in sales has brought about betterment in net. Resumption of divs. doubtful, however. (C)
Eastman Kodak	8.26	8.86	nf	118	104	114	107	113	x5.00	4.4	Policy of paying $3 extra in addition to $5 regular not likely to be altered. (CS)
Elect. Refrigeration	3.10	4.07	4.35	..	..	78	63	69	2.00	2.9	Earnings in first six months suggest possibility of increased div. (C)
Fairbanks-Morse	4.36	6.74	3.72	54	32	59	46	54	3.00	5.6	Net income has shown steady increase in last 3 years. In position to pay somewhat higher rate. (CS)
General Electric	d5.28	d5.12	2.63	d84	d56	90	79	90	x3.00	3.3	Shares recently split four for one. Now paying $3 cash and $1 in special stock, which rate will probably be maintained indefinitely. (C)
General Refractories	2.79	5.19	1.29	58	42	49	36	43	3.00	7.0	Earnings subject to variation but well in excess of current rate, which is unlikely to be changed. (C)
Int'l Business Mach.	d4.72	d4.89	2.71	d58	d36	50	38	48	3.00	6.3	Old stock split 3 for 1 and 20% stock div. paid in Feb. Well able to maintain current div. (A)
Int'l Combus. Eng.	2.66	1.55	nf	69	31	64	34	53	2.00	3.8	Business gaining and has promising possibilities, but increase in div. not in early prospect. (CS)
Int'l Harvester	11.86	16.32	nf	138	96	134	113	125	6.00	4.8	Well fortified with working capital. Should make excellent showing. Doubtlessly will pay more in time. (A)
National Supply	5.09	5.71	nf	71	54	66	56	63	4.00	6.4	Benefiting from increased activity in oil industry. Div. recently increased from $3. (A)
Oil Well Supply	0.36	4.28	nf	38	34	36	30	34	2.00	5.9	Improvement in oil industry should be reflected in higher earnings and hence larger div. later on. (A)
Owens Bottle	4.19	6.26	s4.50	69	42	75	54	72	x3.00	4.2	Paid $1 in cash and 5% in stock as extras last Nov. Could readily continue $4 rate. (CS)
Remington Type.	9.46	16.17	s8.00	117	46	127	84	116	...	..	With pfd. div. accumulations out of way, could easily resume common divs. Attractive for long pull. (A)
Underwood Type.	3.91	5.89	s4.00	65	38	63	51	55	4.00	7.3	Common div. raised from $3 to $4 in April. Showing comfortable margin over requirements. (A)
U. S. Hoffman Mach.	3.63	5.72	2.82	49	23	59	46	49	x3.00	6.1	Extra of 25c paid in second quarter. Co. could continue such payments without difficulty. (CS)
Westinghouse E. & M.	6.47	5.96	nf	84	66	79	65	68	4.00	5.9	Relatively stable income producer. Making good showing but not likely to increase rate for present. (A)
Worthington Pump	1.29	...	s nil	79	35	44	21	31	...	..	Has shown indifferent results in recent years. Just about covering pfd. dividends. (B)

d Based on 1926 cap. Prices figured on basis of stock split up. x Not including extras. (A) Attractive. (B) Unattractive. (C) High enough. (CS) High enough for present. nf Not available. s Estimated.

companies are more favorably situated than the general run of manufacturing concerns since their business follows closely the trend of public utility activities. Earnings of the latter are characteristically stable and the industry is subject to a fairly consistent growth which assures an almost constantly expanding demand for equipment year after year. Gross sales of the electrical apparatus makers reflect this more or less persistent demand. Net profits likewise show a fairly consistent upward tendency since the business is concentrated more or less in a few strong hands where competition is held within reasonable bounds.

Sales of the electrical equipment companies since January have been averaging roughly 5% above the corresponding period last year. Price changes have not been of material consequence inasmuch as downward re-

(*Please turn to page* 800)

Difficulties of the Tire Industry

Rubber Market Gyrations Hurt Earnings—Outlook for Betterment

THE much bedeviled tire industry has encountered a check to its all too brief prosperity. About the middle of 1924, the industry began to pull out of its long post-war slough and in the second half of that year made a very respectable showing. In 1925, for the first time in six years, the larger companies and some of the smaller reported really substantial balances for their common stocks.

The industry, over-produced and over-equipped by virtue of a too ambitious expansion policy, had initiated many badly needed reforms during the period of stress prior to 1924 and the steady rise in automobile registrations and production had gradually corrected the state of excessive manufacturing

Position of Leading Tire and Motor Accessory Stocks

	Earned $ per Share 1924	Earned $ per Share 1925	Earned $ per Share 6 mos. 1926	Price Range 1925 High	Price Range 1925 Low	Price Range 1926 High	Price Range 1926 Low	Recent Price	Div. Rate	Yield %	COMMENT
Ajax Rubber	1.56	2.01	s nil	15	9	16	8	9	...	..	Earning power not sufficiently stabilized to justify expectation of divs. under present conditions. (C)
Amer. Bosch Magneto	0.78	2.51	nf	54	26	34	16	19	...	..	Unimpressive record with no indication of definite improvement. Divs. appear improbable. (B)
Briggs Mfg. Co	5.57	4.07	b2.75	44	27	37	25	29	3.00	10.2	Business subject to vicissitudes although current prosperity of motor industry renders div. secure for present. (C)
Continental Motors	‡1.44	‡1.60	0.57	15	8	13	10	11	0.80	7.2	Covering div. by fair margin. No change likely. Lower six mos. earnings due to development of new product. (C)
Eaton Axle & Spring	0.85	2.83	2.67	30	10	32	24	29	2.00	6.9	Erratic record. Doing well at present, but apparently paying all earnings justify. (C)
Elec. Auto Lite	4.16	8.82	nf	79	67	82	62	66	6.00	9.1	Beneficiary of automotive prosperity. Paid 50c extra in Jan. Additional extras probable. (A)
Elec. Storage Batt	7.96	9.48	s5.00	80	60	86	71	82	x5.00	6.1	An established income producer. Extra $1 paid in Jan. Could easily support $6 rate. (A)
Fisk Rubber Co	§0.85	§4.26	1.13	28	10	26	15	18	...	..	Readjustment of preferred stock capitalization improves position of common, but divs. not yet in sight. (C)
Gabriel Snubbers	5.43	6.57	nf	32	26	42	29	32	x2.50	7.8	Increasing competition and limitation to single product suggest impermanency of present div. policy. Now paying liberal extras. (C)
Goodrich, B. F.	10.27	21.74	0.11	74	36	70	46	48	4.00	8.3	Common div. not earned in first half year, but outlook now more favorable. No change anticipated. (CS)
Goodyear T. & R.	5.14	15.62	nf	49	24	40	28	36	...	..	Has 29¾% back divs. on 7% pfd. to clear away before considering div. action on common. Payments appear remote. (CS)
Hayes Wheel	3.16	8.02	s1.50	49	30	46	31	33	3.00	9.1	Regular div. not earned in first quarter. Extras discontinued. No further immediate change seems likely. (B)
Kelly-Spring. Tire	def.	1.93	s nil	21	12	21	13	13	...	..	Preceded by two issues of pfd. stock on which payments are still in suspension. Common long way from div. (B)
Kelsey Wheel	8.60	11.09	nf	124	87	126	86	102	6.00	5.9	Strong financial condition. Very good average earning power for motor accessory mfg. Could pay more. (CS)
Lee Tire & Rubber	def.	1.40	def.	19	11	14	9	9	...	..	Disappointing results shown in recent years. Div. prospects not encouraging. (B)
Martin Parry	3.81	1.62	¶3.15	37	19	23	17	22	2.00	9.1	Earnings well ahead of last year, but variable nature scarcely justifies div. increase. (B)
Miller Rubber	4.70	6.75	nf	46	36	44	30	36	2.00	5.6	In fairly comfortable financial condition. Div. conservative and seems reasonably secure. (C)
Moto-Meter Cl. A	4.20	5.05	p5.50	44	38	53	34	43	3.60	8.2	Participates in one-third of additional divs. after $1 is paid on Class B stock. Small increase possible but not certain. (B)
Motor Wheel	3.19	3.74	1.74	35	12	34	22	24	2.00	8.3	Too intimately dependent on automobile prosperity to consider div. policy assured. (C)
Murray Body	nf	nf	nf	42	5	16	3	9	...	..	Reorganization plan adopted. Old common to be replaced by new on optional exchange basis. (B)
Norwalk T. & R.	nil	*1.26	s nil	18	12	15	8	8	0.80	10.0	Erratic and none too favorable earnings record. Current rate appears insecure. (B)
Reynolds Spring	1.14	def.	s nil	18	8	10	6	6	...	..	Speculative issue. Uncertain earning power and prospects. Div. outlook uninviting. (B)
Spicer Mfg. Co	2.04	4.57	2.93	36	15	31	19	22	...	..	Has irregular record but showing this year suggests possibility of modest div. (C)
Stewart Warner	5.84	12.57	5.20	96	55	93	69	73	6.00	6.9	Financial status good. Covering div. by comfortable margin. With good results in second half year could pay extra. (CS)
Stromberg Carburetor	7.02	7.87	nf	89	61	77	60	63	6.00	9.5	Earning power variable but present rate seem likely to be maintained. (C)
Timken Roller Bear.	6.73	4.84	4.08	50	37	56	45	54	x3.00	5.6	Well financed, conservatively managed company. Good trade position. Extra $1 appears a fixture. (A)
U. S. Rubber	3.90	14.92	p1.70	106	92	88	51	58	...	..	Reduction in tire prices and slump in crude rubber market likely to postpone consideration of dividends indefinitely. (CS)

* 9 mos. ending Sept. 30, 1925. ‡ Yrs. ended April 30. § Yrs. ended Oct. 31. b June estimated. c Partly estimated. ¶ Nine mos. ended May 31. nf Not available. x Not including extras. (A) Attractive. (B) Unattractive. (C) High enough. (CS) High enough for present. s Estimated. p Preliminary figure.

capacity. The industry, consequently, was on a sound footing last year but while apparently gratifying progress was made, trouble was being laid up in another quarter.

The discouraged British rubber planters had finally made good their attempt to bring production under control, through the Stevenson restriction plan. In this, they were aided by expansion in rubber consumption attending the steady rise of the motor industry and by advent of the balloon tire.

Unfortunately for the tire makers, they were caught napping by the sudden reversal in trend of crude rubber prices. The rapidly rising curve of consumption coincident with close control of output on the part of British producers caused a condition of near scarcity last year. Accordingly, rubber rose to dizzy heights. While it is doubtful that the tire companies bought at the peak, there is no question that they paid stiff prices for their raw material. Despite several advances in tire quotations, a good share of the higher cost was absorbed by the producers rather than dealers or consumers.

These losses, of course, were not ac-

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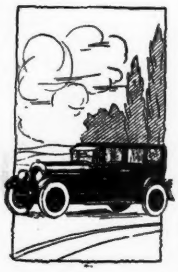
Automobile Prosperity Irregularly Distributed

Competition Becoming More Pronounced — Tendency Toward Consolidations



DESPITE surface indications, by which are meant production and sales records, fortune has distributed her favor with extreme partiality to the automobile companies during recent times. Earnings statements for the first half of 1926 make a startling array owing to the sharp contrasts revealed. Though the public's demand for motor cars reached a new peak in this period, not all companies were successful in gauging the trend of its fancy, or in meeting increased competition, hence the failure of some to hold the gains of 1925.

The automobile industry is now no longer young. It is slowly but surely gravitating into the hands of a limited total of strong units. The number of companies that have dropped by the wayside is legion but the end is not yet. Moreover, there are indications that even the Titans are girding themselves for the struggle to attain supremacy.

It is evident, for example, that the leading maker of low-priced cars has lost considerable ground to his competitors. The latter have gained their advantage partly because of a lusty public buying power based on full employment at good wages for some three years or more. At the same time, these companies have also succeeded in bring-

Position of Leading Motor Stocks

	Earned per Share 1924	1925	6 mos. 1926	Price Range 1925 High	1925 Low	1926 High	1926 Low	Recent Price	Div. Rate	Yield %	COMMENT
Chandler-Cleve Motor	0.10	3.82	s nil	..	..	26	12	12	...	...	Consolidation of Chandler & Cleveland interests has improved financial condition but earning power is uncertain. Divs. remote. (B)
Chicago Yellow Cab	5.56	5.51	s2.50	55	45	49	44	44	4.00	9.1	Div. earned by good margin but financial condition only fair. No change in rate indicated (CS)
Chrysler Corp.	g	g	t1.36	52	48	55	29	37	3.00	8.0	Initial div. paid in April. Rate appears well protected under existing conditions. Increase not likely. (C)
Dodge Bros. Cl. A	nil	h4.02	h3.50	48	21	47	22	33	...	...	Earnings running at levels to suggest possibility of div. but capitalization generous. (CS)
General Motors	7.37	19.15	17.33	149	64	214	114	214	x7.00	3.2	Outdistancing all competitors. Impressively strong financial condition. Will doubtless pay additional extras. (CS)
Hudson Motor Car	f6.11	f16.07	3.72	139	33	123	50	73	3.50	4.7	Not holding its position as well as other large producers. Earnings well under 1925. Has announced intention to pay occasional stock divs. (C)
Hupp Motor	1.76	4.15	2.42	31	14	28	17	23	1.00	4.3	Making a good showing and could pay higher rate, although increase is problematical. (C)
Jordan Motor	4.03	2.91	1.89	65	35	66	21	26	3.00	11.5	Likely to prove sensitive to increased competition. Present div., does not seem secure. (B)
Mack Trucks	16.19	12.37	7.80	242	117	159	104	123	6.00	4.8	Paid 50% stock div. in Dec., 1925. Earnings justify higher div. Management conservative, however, and not likely to change rate for present. (A)
Moon Motor	3.11	6.13	s3.00	42	22	37	20	23	3.00	13.0	Must be regarded as "fair weather" earner. High yield indicates uncertainty of div. continuation. (B)
Nash Motor	df2.84	df5.41	df3.72	48	19	66	52	61	x2.00	3.2	Recently established present common on $2 div. basis and paid $1 extra. Such extras could be maintained. (C)
Packard Motor Car	e1.44	e4.84	e5.17	48	15	45	32	40	x2.40	6.0	Has declared 15% stock div. Paying 20c monthly on increased amount of common stock. In good position. (CS)
Paige Detroit	2.14	3.04	1.73	33	17	28	14	16	1.80	11.2	Gross business larger as result of invasion of medium-priced field but net earnings lower. Increase unlikely. (C)
Pierce-Arrow	nil	2.27	1.22	47	10	43	19	32	...	...	Making steady progress. Pfd. div. arrears all cleared up. Common dividends not yet in prospect, however. (C)
Studebaker Corp.	6.81	8.34	4.51	68	41	61	47	54	5.00	9.3	Strong in working capital. No bank loans. Apparently holding its own. Not likely to make early change in div. rate. (A)
White Motor	8.17	10.11	nf	104	57	90	51	64	4.00	6.4	Engaged in program of improving and expanding facilities. Could pay more eventually but will probably pursue conservative policy for time. (A)
Willys-Overland	0.24	4.03	3.15	34	9	34	18	28	...	...	Financial status strong. Earnings holding up well. Increased business from new "Whippet" models should help. Div. prospect improving. (A)

d Based on 1926 capitalization. Prices figured on basis of stock split up. e Yr. ends Aug. 31. 1926 earnings for 9 mos. ending May 31. f Yr. ends Nov. 30. 1926 earnings for 6 mos. ending May 31. g Organized 1925. h Earnings on A and B. x Not including extras. (A) Attractive. (B) Unattractive. (C) High enough. (CS) High enough for present. s Estimated. t First quarter earnings. nf Not available.

ing forth popular priced models which are within the reach of the greater mass of buyers and which have a greater appeal because their somewhat higher cost is quite offset by greater riding comfort, beauty of body design and the like.

This shifting, of course, is based upon the producer's keen desire to keep up with the vagaries of demand. Failure to gauge that demand with precision brings down an immediate penalty expressed in lower earnings. The large, all-around units like *General Motors*, therefore, have a decided advantage over companies whose activities are restricted to one or two price classes, since it is unlikely that mistakes in one department will be repeated in all.

The striking progress of this leading organization in the last year or so has, accordingly, given rise to rumors of consolidations among other motor car manufacturers. It is probable that these rumors are premature rather than faulty in their basic assumptions.

The irregular earnings reported in the first six months of the year merely emphasize this conclusion. While sales and production mounted to record totals, some companies actually failed to show a corresponding increase in net earnings. Unless these laggards succeed in rectifying the sins of omission which caused them to fall behind, it is evident that their position cannot improve materially in the next six months.

It is probable that the sharply competitive conditions which now exist will cause automobile manufacturers to keep prices in close adjustment with the popular demand. Since production has already begun its seasonal decline, there is little room for improvement in net earnings. In other words, with all indications pointing to relatively stable raw material costs and selling prices, the lowering production schedules are bound to result in some falling off in profits for all companies. Obviously, the strong units will be least affected and in some cases, abundant working capital will permit of extra dividends.

The truck and bus manufacturers are not in the same position as the passenger car producers since this field has not yet attracted the same excess of manufacturing capacity. Moreover, the industry will doubtless be sustained for an indefinite period by the steady transition in street railway and steam railroad transportation policies. In other words, the bus has become a factor of first rate importance in the railroad and traction fields within very recent times.

On the other hand, the leading truck and bus companies have nevertheless been compelled to expand their plants to keep pace with a steadily growing volume of sales. Conservative dividend policies are still the rule since much of this expansion has been and is being financed out of earnings. The outlook for these companies, however, is encouraging. In the long run, shareholders will benefit from the present conservatism of their respective managements.

Preferred Stock Guide

These stocks are selected as offering the best opportunities in their respective classes, taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Baltimore & Ohio	4 (N)	F4.75	No	67	47	72	5.6
Chicago & Northwestern	7 (N)	....	No	125	95	123	5.7
Chesapeake & Ohio Conv.	6.5 (C)	F14.8	115	F130	F96	141	4.5
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	H98	H86	103	5.8
Colorado & Southern 1st	4 (N)	7.5	100	66	47	68	5.9
PUBLIC UTILITIES							
Columbia Gas & Electric	7 (C)	T6.1	115	T114	T103	115½	6.1
North American	3 (C)	6.1	52.50	50	31	51	5.9
Philadelphia Company	3 (C)	6.5	No	49	30	50	6.0
Public Service New Jersey	8 (C)	3.4	No	F119	F95	121	6.6
INDUSTRIALS							
American Smelting & Ref.	7 (C)	2.4	No	115	68	120	5.8
American Steel Foundries	7 (C)	6.6	110	113	78	113	6.2
Armour & Co. of Del.	7 (C)	2.3	110	H100	H84	94	7.5
Associated Dry Goods 1st	6 (C)	3.9	No	102	55	98	6.1
Baldwin Locomotive	7 (C)	2.6	125	117	95	111	6.3
Brown Shoe	7 (C)	F4.4	120	109	70	110	6.4
Cluett, Peabody	7 (C)	3.7	S125	110	79	112	6.3
Endicott Johnson	7 (C)	4.8	125	119	87	116	6.0
General Motors	7 (C)	F13.9	125	115	68	118	5.9
Studebaker Corp.	7 (C)	25.0	125	125	83	121	5.8

For Income and Profit

SOUND INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	64	6.3
Kansas City Southern	4 (N)	2.7	No	59	45	67	6.0
Pere Marquette Prior	5 (C)	8.5	100	85	50	88	5.7
St. Louis-San Francisco	6 (N)	9.1	100	92	28	91	6.6
Bangor & Aroostook	7 (C)	2.5	110	F100	F86	100	7.0
PUBLIC UTILITIES							
American Water Works & El.	7 (C)	4.1	110	103	48	107	6.5
Federal Light & Traction	6 (C)	5.0	110	T89	T7°	87	6.9
Kansas City Pr. & Lt.	7 (C)	T3.1	115	H109	H91	111	6.3
Hudson2& Manhattan R. R. Conv.	5 (N)	4.5	No	F72	F28	79	6.3
West Penn Electric	7 (C)	....	115	O100	O96	100	7.0
INDUSTRIALS							
Allis-Chalmers	7 (C)	2.4	110	109	67	109	6.4
American Cyanamid	6 (C)	3.1	120	96	52	90	6.7
Bush Terminal Buildings	7 (C)	1.1	120	103	87	103	6.8
Commercial Credit 1st	6.5 (C)	....	110	N99	N92	92	7.1
Cuban American Sugar	7 (C)	F8.2	No	106	68	101	6.9
Genl. American Tank Car	7 (C)	3.1	110	F104	F86	105	6.7
Gimbel Brothers	7 (C)	4.3	115	F114	F95	106	6.6
Goodrich (B. F.) Co.	7 (C)	F2.7	125	102	62	96	7.3
Loose Wiles 1st	7 (C)	3.3	120	112	93	117	6.1
Reid Ice Cream	7 (C)	T6.9	110	O100	O92	98	7.1
U. S. Cast Iron Pipe	7 (N)	3.7	No	113	88	107	6.5
U. S. Industrial Alcohol	7 (C)	4.3	125	115	84	104	6.7

SEMI-SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	J6 (C)	T3.0	100	83	34	85	7.1
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	N89	N80	92	7.6
Consolidated Cigar	7 (C)	2.5	110	96	53	104	6.7
Dodge Bros.	7 (C)	....	105	O91	O73	89	7.9
International Paper	7 (C)	1.6	115	N99	N86	94	7.5
Mid-Continent Petroleum	7 (C)	F1.6	120	F109	F80	99	7.1
Orpheum Circuit Conv.	8 (C)	2.6	110	F107	F84	104	7.7
Pure Oil Co.	8 (C)	4.2	No	F108	F82	110	7.3
Radio Corp. of America	3.5 (C)	3.4	55	54	45	48	7.2
Universal Pictures 1st	8 (C)	7.6	110	O103	O94	97	8.3

SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
RAILROADS							
Chicago, Rock Island & Pac.	7 (†)	1.2	No	99	15	100	7.0
Gulf, Mobile & Northern	6 (C)	F 1.6	105	105	68	105	5.7
Wabash "A"	5 (N)	....	110	73	18	74	6.8
Western Pacific	*6 (C)	F0.9	105	86	51	85	7.1
INDUSTRIALS							
First National Pictures 1st	‡8 (C)	T4.7	115	N110	N100	103	‡
Goodyear Tire & Rubber	7 (C)	1.7	S110	H114	H35	106	6.6
Remington Typewriter 2nd	8 (C)	3.3	No	113	47	115	7.0
Willys Overland	7 (C)	...	110	123	23	96	7.3

* Cumulative to extent of 2 yrs. divs. † Cumulative up to 5%. ‡ Participates in excess earnings; paid $1.44 extra in March. J—After July 1, 1926. F—Four years. H—Three years. T—Two years. S—For sinking fund. N—Price range 1926. O—Price range 1925. § 1921-1925.

Outlook for 13 Low-Priced Oils

A Comprehensive Study of Recent Developments That Affect the Status of the Smaller Companies with Specific Comment on the Market Possibilities of Each Issue

By ARTHUR M. LEINBACH

THIS review of the late developments in the oil industry is made with particular regard to the probable effect on the activities of these smaller companies. As a group their fate is not as precarious as it was a few years past, but on the other hand their long range outlook is clouded by the uncertainties that recent tendencies within the industry have introduced.

So far as the *production* of crude oil is concerned, the industry appears to be on the threshold of a new era, in which the small company is destined to obtain a surer and possibly a larger profit than in the past. Even within the present year a distinct movement has been observed to limit the withdrawals of underground reserves to an amount of oil that can be marketed to advantage. This range has been maintained in the face of a veritable old time drilling boom in certain sections of Texas and Oklahoma, which is all the more remarkable.

The so-called "new fields" in Texas, the deep sand production in Oklahoma and the growing production in the Montana district have long since been marked on the oil industry's calendar to materialize as soon as the price incentive appeared for the initial drilling hazard. Consequently, the increasing daily average production, largely due to these sources, is not regarded in the nature of an "upset" from previous calculation. Furthermore, in two of the three sources mentioned, lack of adequate transportation facilities is holding much of the output from the market at the moment.

Of considerably more significance to the production division of the industry, however, is the situation in the Pacific Coast oil fields. Here production is maintaining an even keel *in spite of the fact that most of the larger companies could increase their total production over night by releasing wells that are now capped.* In practically every other major oil district, production is limited by natural or purely mechanical considerations. In California, output is held in check by a *tactical understanding of marketing problems*—a program of self-interest for the entire industry, and strangely enough, this policy has the hearty approval of the Federal Government.

The practical oil man often looks upon the relation of crude supply to refinery demand in the Group III (Mid-continent district) as a good barometer for future crude prices. In the late spring, about 200,000 barrels a day were being withdrawn from surface storage in this district to meet refinery demand, which has now fallen to somewhere between 25,000 to 50,000 barrels a day. In other words, in the "key district," crude supply is lining up with the current rate of refinery runs, the former having increased considerably from the low point of the year and the latter having recently fallen off to a very slight extent. The inference is that the advance in crude oil prices has been checked for as far ahead as one can foresee in the oil business. Whether or not the price structure of crude oil will settle to a nominally lower level depends upon the ultimate results of present intensive drilling activity in many fields.

Coming back to the smaller oil company (and taking a longer range view of the situation) there are few who will dispute that these companies with a good reserve of crude oil to sell, will have favorable markets for the disposal of their output. These companies seem assured of "making a nice living" with considerably less worry and grief than during the past five years.

The weaker oil companies that depend on refinery operations and distribution for a major portion of the return on their investment in oil property do not occupy as favorable a position as those which are primarily producers.

At the present time, about 25 per cent of the total refining capacity of the industry is not operating, either because technical improvements in crude refinement has rendered the equipment obsolete or because the refined products cannot be disposed of on a sufficient margin of profit to warrant operations.

The accompanying table gives an original compilation of pertinent facts relating to thirteen of the low priced active oil shares listed on the New

(*Please turn to page* 817)

A Statistical Picture of the Low-Priced Oil Stocks

Name of Company	Crude Output in 1925. 000 Omitted	Refinery Capacity Daily Average	Total Productive and Non-productive Acreage	Number of Shares Outstanding	Earned per Share in 1925	1926 Price Range High	1926 Price Range Low	Recent Price	Dividends $ per Share	Yield
Barnsdall Corp.	[1]3,071	23,200	33,646	[2]1,130,206	$3.26	33	23	25	2.00	8.0%
Independent O. & Gas	2,400	27,200	104,600	500,000	5.12	34	19	26	1.00	3.9%
Indian Refining	None	30,200	None	785,068	0.24	13	9	11	None	..
Lago Oil & Trans.	[3]4,467	None	3,000,000	3,929,695	0.35	24	19	22	None	..
Louisiana Oil Ref.	[4]2,000	18,500	85,000	1,140,063	0.87	19	12	17	None	..
Maracaibo Oil Exp.	None	Nominal	815,000	330,000	0.10	29	20	23	None	..
Pierce Petroleum	NF	[5]27,000	NF	2,500,000	0.08	7	3	3¼	None	..
Producers & Refiners	NF	27,000	727,350	748,703	1.38	17	11	12	None	..
Simms Petroleum	4,253	7,500	138,000	684,492	3.85	28	16	18	1.00	5.5%
Sinclair Consolidated	[6]13,534	180,000	632,000	4,499,162	1.01	25	19	21	None	..
Superior Oil	NF	None	20,000	1,102,238	Deficit	4¼	1	1¼	None	..
Texas Pacific C. & O.	[4]2,920	5,000	70,000	844,805	0.86	19	12	14	None	..
Transcontinental Oil	1,967	19,500	1,200,000[7]	3,742,029	Deficit	5½	3	5	None	..

Note.—Figures showing refinery capacity include cracking process installation.

[1] Also produces 3,203,800 gal. casinghead gasoline.
[2] Including Class A and Class B common shares.
[3] Production for first half 1926 shows big increase.
[4] Estimated on basis of daily average output.
[5] In addition, has 17,000 bbl. refinery capacity not operating.
[6] Also produced 22 million gal. natural gasoline.
[7] This includes 950,000 acres in Colombia, but not a half interest in 833,000 acres (Colombia) nor a 3,150 acre lease in Roumania.

Unto Him That Hath Shall Be Given

REDUCING this passage from the Scriptures to a purely material interpretation, it becomes a cornerstone of modern life that should hold significance for the income builder. Especially at the start when our savings fund is small, the rewards of frugality seem far distant and rather nebulous. Only a complete realization of the full wealth producing power of intelligently invested capital makes the saving of our surplus dollars seem worth while.

Nature has endowed most living creatures with an instinct to save—to set aside something in time of plenty so that the pinch will not be felt too severely in time of want. The squirrel, perhaps the most famous "hoarding creature," saves only for the certain famine in the fall and early winter. Man likewise, when he saves dollars is putting aside a surplus of goods; at any time these dollars can be exchanged for food, clothing, shelter, machinery or pleasures. Yet in the meantime, these saved dollars when properly invested are working twenty-four hours of the day, producing more dollars—and, therefore, more goods and comforts.

The real incentive for saving is the work that your dollars do for you which in the end will substantially lighten the struggle of sustaining yourself materially. In the earlier years of our saving program, the supplemented income from invested capital is comparatively small. But it grows steadily larger year by year, expanding both internally, as it were, from the earning power of our investments, and externally from our own individual earning capacity. When income and capital gains are reinvested in new securities, then, the potent wealth building force of compound interest is let loose to stimulate the advance of our prosperity at an amazing rate of progression.

Aside from the slow gradual growth of invested dollars, there is another important characteristic of the saved dollar that commands attention. This is the spectacular rise to fortune accomplished by combining a small capital with ordinary American ingenuity, plus a striking business opportunity. This combination runs as a common strain in all great American fortunes—and numberless smaller fortunes. The background of the fortunes massed by the Rockefellers, the Astors and the Fords and hundreds of other notable American millionaires lies in the comparatively modest hoard of saved dollars that made possible the first great business opportunity encountered by each.

In both the slow but sure road to old age comfort, and the swift race to fortune it holds equally true that Unto Him That Hath Shall Be Given.

A Little Man With a Big Pocketbook —and a Big Man With Nothing

This Story Has No Moral, But Perhaps You Can Identify the Leading Characters

By HERBERT WOMELSDORF

A Little Man With a Big Pocketbook—

PERHAPS, you know these men—almost everybody does. One is the Little-Man-With-The-Big-Pocketbook. He got his name because he does not *seem* to be a very big man, but of course, actually he is not a dwarf in either stature or mind. He is the one that we like best, perhaps, because he does not make any pretense at being big or important but everyone knows that he has a very substantial fortune although no one can recall ever having heard him say so. We suspect that his wife frequently urges him to build a big house, buy another car, hire a few more servants and live in "grander style." We suspect also that these suggestions are met with a sympathetic smile and a very practical explanation.

The other one is the Big-Man-With-Nothing. He inherited his name from his father who was also a Big Man, had nothing and left nothing to his son but this name which is now borne in the most fitting manner by the second generation. Not that he is tall or of unusual mental capacity, of course, but he *seems* big with his fine home on the top of the hill, his underpaid but overliveried servants and the several handsome motor cars, the newest one not completely paid for as yet. Every one knows, and for that reason no one especially cares, that he has very little of substance, beyond a showing of great wealth and many unpaid bills.

Sometimes a dim light can be seen shining from the home on the top of the hill when the B. M. W. N. is sitting in his spacious library frowning over papers and documents of various sorts late into the night. This note has fallen due and must be met. These bills piled neatly in the corner of the table are the ones that must be paid at once to save an already uncertain credit standing. But where is the money to come from, reflects the B. M. W. N. There are a few good (in addition to many worthless) investments left that might be sold, of course, but how could they ever be replaced? Then possibly, expenses could be paired down somehow but that had been tried many times without much success. One simply can't be a Big Man and reduce one's standard of living. Maybe he could make a "killing" in the Stock Market. But that, too, requires money and on the whole he had never been outstandingly successful at it.

Such evenings are always dismal, discouraging times for the B. M. W. N. and of late have been reoccurring with greater frequency. In the end, after many heartaches and headaches he usually managed to arrive at some "solution" which is really no solution of his real problem. If a security is sold, of necessity, it is always the best security and the one he desires to part with least, for the others are usually unsaleable except at a loss which he could not afford to take. Not long ago he was offered a splendid opportunity to participate with some local men in the organization of a new company which is already prospering—but as usual there was no money. He had just taken a "flyer" on an aetherial 100-per cent-overnight-scheme which, with the usual allotment of unpaid bills, had left him more than ordinarily short of cash.

Someday, perhaps too late, the B. M. W. N. will realize the futility of attempting to be the Big Man without the cash to back it up. Like a vicious circle it draws closer and closer, with no chance of replacing depleted cash and investment reserves as long as one keeps up the extravagance of being a Big Man and no chance of keeping one's head above water without a solid backing of either high earning capacity or income producing investments. To those who know, and almost everyone in our locality does know, this is the story told by the dim light, shining bleakly through the night from the top of the hill.

But the Little-Man-With-The-Big-Pocketbook lives in a different sphere—one that is far more comfortable and satisfying. His bills are paid as regular as clockwork each month and there is always ample cash available to meet any outstanding obligation. His investments are well chosen and carefully

(Please turn to page 807)

—and a Big Man With Nothing

An Over-Ambitious Investment Program

How It Can Be Revised to Lighten the Burden of Yearly Savings and Still Serve the Investor's Purpose to the Fullest Degree

"HOW can we secure a home of our own and build up a permanent income equal to my present salary and at the same time get a little pleasure out of life—of course conservatively?"

This is the modest request of "J. A. S.," who writes us from Evanston, Illinois (as reproduced on this page) for assistance on a particularily perplexing income building problem. At age 36 one might allow twenty-four years more in which to carry out any plan proposed, carrying our correspondent to age 60. The emphasis on conservative investment suggests an outside limit of 6 per cent as the average return from all invested surplus—in fact the more conservative issues no longer pay that rate in straight interest. The most pitiless expense cutting and frugality could perhaps salvage $1,000 a year out of the present $3,000 yearly income. Applying these figures to the customary formula for compound interest, we find that principal and interest together at the end of 24 years amounts to a little over $50,000 which invested at 6% would provide the desired income of around $3,000 a year.

So far, however, too much has been left unprovided for to make this arithmetical formula practical as an income building program. For example, over a long period, the shrewdest investors incur losses which must be offset somehow. Furthermore, the full effect of compound interest can never be fully attained because of the difficulty of finding immediate employment at all times for odd amounts. Even without these practical considerations, the expenses of a home are left unprovided for, and the unusually large amount allotted for savings is more than likely to make serious inroads on our correspondent's desire to "get a little pleasure out of life." On the whole, the plan is over-ambitious. Better aim for less and gain more in the long run than to bite off so much that repeated discouragements will ultimately lead to abandonment of the whole program.

With this thought in mind, let us see how an intelligent income building program can be constructed that will fulfill "J. A. S.'s" requirements *as completely as possible.* Instead of deciding to set aside $1,000 a year in grim determination to reach a fanciful goal, let us approach the problem from another angle and then see how far along the new plans will carry us.

First up for consideration is the home—not to be bought immediately for the owner's equity would be smaller than advisable with the cash on hand available for such an investment. However, we will plan for the home investment and fit it into our calculations for other income building. At the moment, $720 a year from the yearly income goes for rent. When the new home is built (or bought) this saving will reduce the necessity for a $3,000 income to slightly less than $2,300 a year and later plans for building up the investment account will take this fact into consideration.

The problem at the start is where the money is to come from to build and pay for a home. The type of home, incidentally, that would fit into our correspondent's plans admirably is a two-family house costing about $13,000 in localities where building costs are normal. With first and second mortgage financing, the owner's equity or cash payment upon completion of the building would be $3,000—this amount being the first lap in the race to fortune. A small portion of the regular saving to accumulate this sum should go toward a membership account with a local building and loan association; frequently older members in good standing are accorded more liberal consideration than a member who takes out his shares the same day that he makes application for a loan.

Why the two-family house? There are several reasons why a two-family property is peculiarly well-fitted to the

Is Your Investment Problem as Difficult to Solve as this One?

The Magazine of Wall Street,
Building Your Future Income Dept.,

Dear Sirs:

I have had many occasions to refer to your Magazine for data on the trend of business, in my business of industrial engineering, and have found it accurate. As you are conducting a service department - B.Y.F.I. - which has helped many others, perhaps you may be able to help us.

Now, before you read further, let me assure you that this is our actual financial condition which has required of us the sacrifice of many socials in order to pay for our mistakes in 1921.

In 1921, we lost all we had, fell in debt, then gave up all pleasures - except a few of actual necessity to keep us from going insane - and began to pay back our debts. Now we are square, have $500 cash in a savings account; I have a steady job, industrial engineer at $3,000 with possibilities of more. Our furniture is all paid for - on the "installment plan". We would like to have an auto but feel we cannot afford one. We have a radio which is also paid for. I am carrying $5,000 life insurance with the Prudential. It is on the 5 year half rate term, viz., $67.60 per annum for first five years; then, $135.20 per annum thereafter. I also have a $460 Twenty Year policy with the same company and $8,000 accident policy but no sick benefits.

I am a college graduate, 36 years old, married and have two fine children, a girl 3 1/2 years old and an eighteen months' boy. My rent runs around $60 a month - $80 a month regular rent, less $5 a week for a room which we rent out. We have no equity of any kind in bonds, stocks nor real estate.

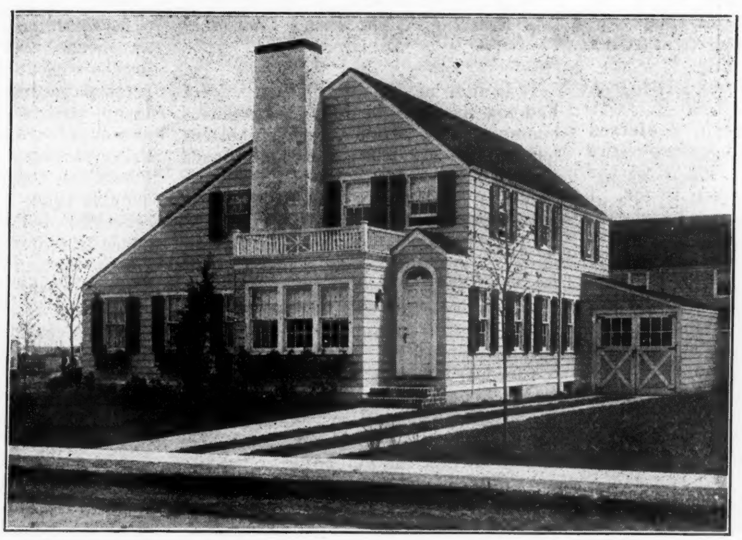
Now here is the problem. How can we secure a home of our own and build up a permanent income equal to my present salary and at the same time get a little pleasure out of life - of course, I mean conservatively?

Yours truly,

J.A.S.-Evanston, Ill.

proposed income building program. In the first place, a willingness to assume the role of landlord as well as tenant is indicated by the present practice of our correspondent in renting a room to lower the monthly rental cost on the present home. The two-family project puts him into the landlord business on a slightly larger scale and pays off the costly second mortgage in the earlier years as well as bringing in an additional income after second mortgage obligations have been wiped out.

The following figures outline just how such an investment would work out in dollars and cents. Of the $13,000 cost figure, $1,000 or perhaps slightly more will represent the cost of the lot, the location of which should be selected with special consideration to the maximum rental value of the extra apartment. Whether the home is bought or built, this factor of rental value will play an important part in the investment program to come later. Ten thousand dollars are raised in two mortgages, a building and loan first mortgage of $8,000 and the balance in a second.



An attractive home like this is a stepping-stone to fortune

The income from the rented apartment is intended to pay off bonus, principal and interest on the second mortgage during the first four years and in subsequent years will offset the major part of the building and loan mortgage payments which are $80 a month for about eleven and one-half years. The upkeep charges including taxes, repairs, fuel and maintenance will probably run between $35 and $40 a month. *The latter figure is the only real cost figure,* mortgage repayments being the same thing as savings. Ultimately, the apartment "upstairs" will not only carry the entire running cost but will provide some extra income besides, providing of course that location has been well selected and rental value is sustained.

We can now begin to appreciate what a vital part the home project plays in this investment program. We have seen that the saving in net rental cost automatically reduces the necessary income from $3,000 to $2,300. Out of the latter figure our correspondent must allow at least $500 a year for savings in the years when he is building his "old age fund." As soon as he starts to use his interest to meet the expenses of living and when income from earnings ceases, however, there is no longer any necessity for the $500 savings. In other words, instead of placing $3,000 a year as the theoretical goal, we must revise the calculations to the actual amount needed, less the yearly cost of a home (otherwise provided for) and the yearly amount to be set aside for saving (no longer needed) which sum, we find, is $1,800 a year.

On the basis of the revised figure, we find that instead of aiming to accumulate $50,000 as our investment fund to provide a $3,000 yearly income at 6 per cent interest, we are now planning to accumulate $30,000 which at 6 per cent interest will earn the desired $1,800 yearly income. Now, we can see that the new proposed investment program is well within the boundary of reality. We can now resort to compound interest calculations with a little more assurance of dealing with practical facts. In the twenty-four year span allowed for active accumulation, one must average a yearly saving of only about $500 a year, in round numbers, to build up a fund of $30,000 on an average earning power of 8 per cent from the invested capital.

But, someone will protest, are we not abandoning conservatism when we seek a return of 8 per cent? Here we are compelled to fall back on the trite answer—"yes and no." For investors who are endowed by nature with a capacity to handle investments the way they should be handled, an 8 per cent return can be obtained with dealings limited exclusively to conservative issues—for the dyed-in-the-wool "six per centers," admittedly a search for higher returns may be hazardous.

So in reply to J. A. S.'s ambitious inquiry, we will say "Mr. J. A. S., allot $500 a year to your investment fund, if you are prepared to spend the additional time to study your investments and market conditions and make an intelligent investigation of each issue that you buy and sell during the next quarter of a century—this is the price that you must pay for the extra money to 'get a little pleasure out of life.'" This does not necessarily mean buying 8 per cent bonds or high yielding stocks. The higher rate of return is obtained *conservatively* by taking advantage of the major price trends in the securities markets and obtaining an *extra two or three per cent in appreciation of principal* from good stocks and bonds owned outright, in addition to the regular return of from 5 to 6 per cent in coupons and dividends. Neither does this mean speculating for quick profits. Only substantial, well-seasoned issues should be considered and under no circumstance is the practice of buying on margin recommended.

The home investment, for instance, on the basis of purchase suggested above should yield well in excess of 8 per cent, still from every viewpoint is most conservative investment practice.

Although, it is usually inadvisable to impose too severe a savings burden on one's self, especially when the plan is intended for execution over an extended period of years, we feel that in this case some minor sacrifices are quite worth while to get up to the home investment stage as as early as possible. During this period when the neccessary $3,000 is being scraped together, the funds should be held in liquid condition—for example a savings bank account would serve well for temporary employment. During the first few years, after the home has been provided and second mortgage payments must be met it may be slightly burdensome to keep the savings quota up to its full measure. In later years, of course, it is quite possible that a larger amount can be set aside for savings, which will shorten the period or, better still, increase the ultimate reward.

The insurance which our correspondent is carrying is well selected, but the amount of coverage certainly is not excessive. This policy for all intent and purpose is comparable with a term policy. We would advise that in future years, rather than increase the investment schedule, a larger amount of life insurance protection be arranged for in an ordinary life contract.

How a Woman Investor Doubled Her Money in Eight Years

Combination of Regular Saving Plus Reinvested Income and Profits Results in Marked Progress Toward Financial Independence

By Mrs. M. L. E.

IN 1917 when I was 22 years old, I was suddenly left, without warning, to earn my own living. I moved to a small town, where I had a few friends, took a two months' business course on borrowed money, and became a stenographer. As soon as possible, my two sisters did likewise, and I was relieved of the necessity of their support, thus getting a chance to start my own future income building.

A few months later, I was left $6,000, with the provision that $3,000 of it was to be placed in a certain preferred stock, which after holding three years I finally managed to get rid of at the price at which it was given to me. I consulted a banker in whom I had confidence, and bought $2,000 in Liberty Bonds, at 86, and $1,000 American Telephone and Telegraph, at par. My idea in life became *financial independence*, and every cent I saved found its way into preferred and common stocks, such as Chesapeake & Ohio, Studebaker, etc.

The First Step Is a Careful Study of Investments

I started to work for $60 a month, and progressed by slow degrees to my present salary of $200. I have lived very comfortably, saved every cent of income from my securities, and tried to add an equal amount from my salary to it each year. Whenever I was a couple of hundred dollars ahead, I went to my banker, and he gave me the names of two or three good stocks from which I made a selection. I subscribed to THE MAGAZINE OF WALL STREET, and formed the habit of reading the financial pages of the newspapers.

My investments were made only after I had read everything I could find about the company in which I expected to place my money. Twice I bought local preferred stocks, backed by real estate mortgages and sponsored by trust companies. When I had an opportunity to buy more American Telephone and Telegraph, through the exercise of my rights, I borrowed money, with my stock as collateral, and added to my holdings. This I have since done on several occasions when I thought an opportunity for a bargain stock was presented.

I have lost some chances to double my money but I do not regret them. I am not a gambler, and made up my mind a long time ago that plodding safely and a fair return on my money were the only means by which I could hope to attain independence.

The Result of Eight Years Consistent Saving

It is now nearly eight years since I had my first plunge into the world of business. The $6,000 which I inherited has become $12,000, through dividends and savings. Actually, I could sell my holdings for nearly $14,000, at the present market but they are all safe, bought at reasonable prices, and bring me an average of 7½%. This is a better yield than I will probably be able to get for several years to come, so why sell, unless an exceptional price can be obtained.

Besides, I have $1,000 in the savings bank for use when opportunity for profitable purchases arises, and from my salary of $200 a month, I am able to add to this fund steadily.

"Financial Independence at Fifty!" Long before that, I hope. On the income from $25,000 I can live comfortably, and if I am able to continue my present plan of investment, and to continue my present good record of not having lost a dollar through my investments, my goal should be reached before I am Forty.

How Investments Were Safeguarded

My purchases are made only when approved by my banker, and in companies with long experience, and satisfactory records. Safety rather than large profits, constant reinvestment, and adherence to a definite plan, should bring to any small-salaried woman Financial Independence within a reasonable time.

So far I have found no place for bonds in my investment program, partly due to the tax which my state of residence imposes on bonds and partly because they lack the capacity to expand in value, except the broad movements of the bond market, which I confess my inability to foresee for the future. The degree of my success to date in stock investments has been enlarged, of course, by a favorable market trend but it is the normal growth in value of a well chosen investment stock that intrigues me—not the current market profit that has been incidental to my program.

BYFI Recommends

	Approx. Price	Yield
Bonds with a high factor of safety, ready marketability and good collateral value:		
N. Y. Telephone Co. ref. 6s Ser. "A" '41	108	5.2%
Del. & Hudson 15-year 5½s '37	105	4.9
Bethlehem Steel 1st guar. 5s '42	101	4.9
N. Y. Cent. & Hud. River deb. 4s '34	95	4.7
Bonds with a good factor of safety, fair income, good marketability and collateral value:		
American Sugar Ref., 15-year ref. 6s '37	103	5.6
Anaconda Copper 1st 6s '53	103	5.7
Cuba Railroad 1st 5s, '52	95	5.3
U. S. Rubber 1st 5s '47	93	5.6
Preferred stocks with ample security, a liberal income return and some possibility of enhancement in value:		
Brooklyn-Manhattan Transit Pfd. ($6)	85	7.1
U. S. Smelting & Refining preferred ($3½)	49	7.1
Schulte Retail Stores, preferred ($8)	117	6.9
Willys-Overland, preferred ($7)	96	7.3

Should My Brother Buy Insurance?

Our Correspondent Is Concerned with the Lack of Protection for His Sister-in-Law

By FLORENCE PROVOST CLARENDON

Insurance Editor:

I have a brother, aged 25, a farmer in Missouri, who has just married. This obligation, I feel, entails some responsibility towards the wife in the way of providing for the possibility of her future dependence. He does not look with favor on life insurance, hence I thought some one in your position might be able to supply information which would overcome his position on this subject. Could you suggest a form of old line insurance which would fit such a case. I should say the premium at this time probably might be limited to, say, $100 annually.

Anything you may suggest which might aid me in convincing him of the wisdom of this form of coverage, I shall appreciate. Yours truly—G. C. H.

Your brother is a young man and apparently does not as yet fully realize the responsibilities that should be assumed by a married man with dependents. I presume that his wife has the usual cares and responsibilities of a housewife, and in taking up these duties she has not the chance of earning an independent income which is open to a single young woman. Thus it is only right—quite aside from any feeling of sentiment—that her husband should take steps to provide for her future not only during his lifetime, but in case of his unexpected death. Life insurance provides the way of doing this, and the annual cost for this protection is not excessive. Moreover, the regular and systematic payment of life insurance premiums provides a stimulus for consistent saving which materially aids in the character building of a young man.

Furthermore, a farmer must look forward to those sunset years of life when his own earning capacity will have materially decreased or perhaps entirely ceased. A life insurance policy while protecting a beneficiary over a long term of years will also build up maintenance in case the insured is fortunate in living on to a ripe old age.

Your brother could with advantage consider applying for an "Endowment at age 65," in the sum of $5,000. This would protect his beneficiary over that span of life when he would normally be earning and saving towards the building of his estate. At age 65, he would want to take life a little easier, to shorten "the day's work," the proceeds of this $5,000 policy will help him to attain that comfort.

A policy for $5,000 on an "Endowment at 65" plan would call for an annual premium of only $92 on the nonparticipating plan. If placed with a *participating* company, the premiums would run about 20% or 25% higher, but they would be reducible by annual dividends after the first year. In the long run, the two premium costs would work out about the same to the insured.

Your brother should ask to have the Disability Benefit included in his policy, under which, if he became totally and permanently incapacitated at any time prior to age 60, and unable to follow a gainful occupation, his premiums would cease, and he would enter on an annuity income of 1% per month ($50 per month in the case of a policy for $5,000) of the face value of his policy if such disability proves to be of a permanent character. The full face of the policy, however, would still be payable to his beneficiary on his death. This is a valuable benefit.

Suitable Annuities for Teachers

Insurance Editor:

Our institution is planning on entering into cooperation with the Carnegie Teachers' Insurance and Annuity Association to provide an annuity for the teachers of this college. I have planned on taking out $20,000 of annuity together with $20,000 of decreasing life insurance. This association claims that their annuity and insurance is given at cost.

I would like very much for you to look into the record of the association and notify me, as a reader of your magazine, as to their financial standing, and as to your opinion of a teacher putting so much into one company. Very truly yours.—G. H. C.

Your letter of May 24 has been referred to me for attention and I note that your College is planning to enter into an association with the Carnegie Teachers' Insurance and Annuity Association, with a view to providing annuities for the teachers. This is an excellent channel through which to obtain protection for the teaching class at low rates. The Association is well run on an approved scientific basis. The contract provides that in case of the death of an annuitant before the payment of his or her annuity has begun, all premiums, with their interest accumulations, will be paid to the wife or other beneficiary, or to the estate of the annuitant.

The Teachers Insurance and Annuity Association of America completed its seventh year on December 31, 1925. In its Sixth Annual report which we have at hand, issued in 1925, we observe that the annuity contracts of the Association have been adopted by 98 universities and colleges, 16 research institutions, and 18 endowed schools, making a total of 132; while teachers in more than 300 other institutions have taken contracts without the assistance of the institutions with which they are connected. Administration costs of the Association are carried by the Carnegie Foundation, permitting of the issuance of annuities and life insurance to teachers at an attractively low rate. The Association's Report states that annuities and life insurance are written at their net statistical cost, while annual dividends are also paid on these contracts.

Insurance for Infants

Insurance Editor:

Is any worthwhile insurance available for six months' old infants? If so, would you be kind enough to tell me what they are, their advantages and approximate cost. I would be interested in buying such a policy if something desirable could be found. Thanking you, I am, very truly yours—W. E. G.

There are two ways in which you could place insurance on the life of a six months' old child—which I assume of course you wish to be in the nature of a Thrift Fund for the use of the child later on, for educational purposes, a college course, or other benefit.

The insurance may be placed in the form of an Endowment on the life of the child; or it may be placed on the life of the father, *for the benefit of the child.* We would recommend the latter course, because in this way the full face value of the Endowment is assured to the child whether the father lives to the maturity of the Endowment or not. With the insurance on the father's life and the child named as beneficiary, if the father should die at any time after payment of the first premium and before the maturity of the policy, the full amount is at once payable. If the child is a minor at the time of such payment, the money could be paid to a guardian, or held by the insurance company at interest until the designated age at which it is desired the proceeds shall be paid.

Under an Endowment, placed on the *child's* life many companies limit payment in case of the child's death prior to the maturity of the Endowment to a return of premiums paid. It is assumed of course that the parent does not expect, or wish, to make a financial gain through the death of the child. Moreover, if the *father* were to die there might not be sufficient funds left to continue premiums on this Child's Endowment.

According to the rates of an Old Line company conveniently at hand, the rates for either form of Endowment —on the Child's, or the Father's life—

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SERVICE SECTION

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. As a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands received and replied to in the first four months this year. The use of this personal inquiry service in conjunction with the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. *Be brief.*
2. *Confine requests for an opinion to three securities.*
3. *Write name and address plainly.*

MARLAND OIL

Will you please give me your opinion of Marland Oil? My understanding is that this company is in a strong financial position and is earning at a rate to compare favorably with 1925. Nevertheless, the stock does not seem to get anywhere in the market. Is this due to the fact that some adverse circumstance exists that is not apparent to the general public?—T. C. K., Providence, R. I.

We know of no adverse circumstances existing which might tend to retard the market movements of Marland Oil. On the contrary, there seem to be several good reasons for the stock to be selling at higher levels. In the first place, Marland is in good financial condition. The company has no bank loans outstanding, and has cash holdings in excess of 3 millions. Working capital of around 18 millions seems to be adequate for its needs. Current earnings are estimated to be running at the annual rate of around $8 to $8.50 a share on the capital stock, a figure to compare favorably with that of 1925. With the oil outlook fairly optimistic Marland should do correspondingly well in later months. Aside from these favorable elements, Marland occupies a strategic position in the industry in regard to merger possibilities. An eventual alliance with a large refining company is logical and quite likely. The stock has thus far been slow to respond to favorable internal developments but in the course of time it will probably come into its own.

HERCULES POWDER

Some months ago I read an answer to an inquiry on Hercules Powder which appeared in THE MAGAZINE OF WALL STREET and I was so favorably impressed that I purchased 25 shares of the stock. I have reason to be grateful having a very handsome profit if I care to take it. However, I am rather doubtful as to the wisdom of that course and wish you would give me the benefit of your counsel.—R. E. L., Nashville, Tenn.

The building booms enjoyed throughout the country, as well as increased activity in mining circles has proved of great benefit to Hercules Powder. As the result of this, Hercules was able to report $15.84 earned a share on the common in 1925, against $10.03 in 1924. Current earnings are holding up remarkably well, amounting to $7.69 a share in the first half year, slightly in excess of those of the same period of 1925. Hercules is in sound financial condition, having working capital of over 14.3 millions and almost 6 millions of cash and marketable securities. The fact that these amounts are substantially in excess of requirements lends credence to the rumors current that an extraordinary disbursement of some sort is pending. Hercules shares have advanced rapidly in the recent past and are no longer to be considered as being on the bargain counter, but we believe sufficient promise is held forth to warrant you retaining your stock with a view to developments.

WHITE EAGLE OIL & REFINING

It seems that everybody has his favorite stock and I must confess that White Eagle Oil & Refining has long been mine. I have always regarded this as a sound, well-managed and promising concern. Thus far, I have not profited a great deal by holding the stock but I am sanguine enough to believe things will eventually turn out well. Do you agree with me?—A. W. B., San Diego, Calif.

We agree with you to a certain extent. In our opinion, White Eagle Oil & Refining is a sound and ably managed concern. In the past, as conditions have been favorable, the company has been able to do well from an earning standpoint. As a matter of fact, it has invariably given a good account of itself even when competitors in its class have encountered hard sledding. However, White Eagle is functioning on a rather disappointing basis at the present time, earnings equal to $2.74 a share in the first half year being considerably below the $3.95 of the same period of 1925. In view of better oil conditions existing this decline is hard to explain. It is obvious of course that until an improvement in net income is registered a solid foundation will not exist upon which to base the expectation of higher prices in the market. As matters stand, while we believe the stock to have fair long range possibilities we would be inclined to give preference to California Petroleum for prompter returns.

LOEWS, INC.

I have been very much interested in the market movements of Loews shares recently. The stock seems to exhibit a decided tendency to advance. I switched into Loews from another security at your advice and now have a fair profit. Do you think I should accept this?

The recent advance in the market valuation of Loews shares seems to (*Please turn to page* 788)

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

Good Summer Business Prevails

Industry and Trade Continue to Show Satisfactory Volume—Outcome of Crops Awaited

STEEL

Industry Holding Up Well

EARNINGS of many steel companies for the first six months of this year have shown a decided increase over the corresponding period in 1925. And these earnings reflect the surprising pace which the industry has maintained up to the present time. New business has not evinced any indications of falling off thus far; and this is in itself extraordinary as the usual course of steel tends to recede in midsummer. Killing heat in the closing weeks of July affected production somewhat; but when weather became more favorable, schedules were resumed at the former high rate, which will in all probability continue through August. For the first time this year it is expected that the Steel Corporation will show an increase in unfilled orders for July 31. The Corporation is operating at about 87% theoretical capacity, and the splendid earnings it has reported for the first half year is indeed gratifying to the optimists of the steel in-

(*Please turn to page* 808)

COMMODITIES*

(See Footnote for Grades and Unit of Measure)

	1926 High	1926 Low	*Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)....	20.00	18.00	18.00
Copper (3)	0.14⅝	0.13¾	0.14⅜
Petroleum (4) ..	2.29	1.78	2.29
Coal (5)	2.17	1.75	1.75
Cotton (6)	0.21	0.18	0.19⅛
Wheat (7)	2.10	1.55	1.55
Corn (8)	0.84¼	0.69	0.84¼
Hogs (9)	0.14⅝	0.11⅝	0.13
Steers (10)	0.11	0.09¾	0.10
Coffee (11)	0.20⅛	0.17⅝	0.19¼
Rubber (12)	0.98	0.42	0.42
Wool (13)	0.54	0.43	0.45
Tobacco (14) ...	†0.19	†0.19	†0.19
Sugar (15)	0.04¼	0.04	0.04⅛
Sugar (16)	0.05¾	0.05⅛	0.05¾
Paper (17)	0.03¾	0.03⅛	0.03⅛

*July 31.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb. †Change from 1924 to 1925 crop.

THE TREND IN MAJOR INDUSTRIES

STEEL—The industry enters August with production still holding close to 80% capacity, and demand fairly well diversified among railroad, automobile and structural buying. Various attempts to raise prices are meeting with little success. With the general trend of steel consumption by the major industries downward, it may be considered favorable if prices hold current levels.

PETROLEUM—With gasoline consumption running about 17% over 1925, there has been a rather healthy reduction of stocks and a general hardening of the prices of all refined products. On the other hand crude prices display some uncertainty.

METALS—All of the non-ferrous metals, copper, zinc, lead and tin, show considerable strength in response to foreign and domestic demand. Prices are steadily appreciating. In view of low stocks and the satisfactory rate at which production is meeting demand the situation is healthy and encouraging.

COTTON—Reports on the coming crop are at considerable variance as much depends on the weather of the coming critical months. At the close of the crop year a carry-over of 5,362,000 bales was estimated.

SUGAR—Refined sugar prices have begun to reflect the warmer weather and a large fruit crop. Whereas raw prices have stiffened, the large stocks at Cuban ports and frequent distressed lots which appear on the market with every bulge, have constricted any material advances. Export demand for raw is materializing, however, as a mitigating influence.

RUBBER—The average price of crude has been such as to obviate the restriction on British export under the Stevenson Plan for the next three months. The margin of escape, it must be noted, may be measured in thousandths of a cent. The market is displaying considerable uncertainty.

COAL—British demand continues the biggest factor in bituminous, although it has not affected prices as yet. Hampton Roads dumpings persist at the June rate, which broke all records; but the supply is being absorbed by the unusually large number of ships coaling.

AUTOMOBILE—After a generally satisfactory half year, amounting to a record for some companies, many of the manufacturers are bringing out their new models. New prices are also appearing in many cases, and give evidence of the keen competition which is increasing as the season advances.

SUMMARY—Industry and trade evince healthy and sustained activity for this season of the year. Whereas the return on the coming crops is, by all odds, the dominating factor in developments of the immediate future of business, the general pulse betokens confidence.

65% OF EUROPE'S WAR DEBT CANCELLED—SHOULD WE CANCEL BALANCE?

(*Continued from page* 735)

"But that is where the present misunderstanding and friction began. We waited too long—both for the good of ourselves and the world at large. While there was unanimity of opinion as to the origin, nature and justice of the debts and no thought of repudiating them was the time to have undertaken their adjustment. That was also the time when the world's greatest nation should have taken the leadership in the economic re-establishment of a distressed world. As the chief creditor nation, and with all the Allies owing us, we were in a commanding position. Then and there we should have considered cancellation in connection with a general economic stabilization of the world. We should have used our power as a creditor to induce the other nations to go into a new scheme of international commercial concord. There are scores of international trade obstructions to which this power could have been applied with good results. It could have been applied to the attainment of a general revision of tariffs such as would have promoted production and trade all over the world. It could have been applied to special problems, such as our rubber supply and the British monopoly. It could have been used to wipe out hostile subsidies and all sorts of impeding regulations and discriminations.

"What I mean, precisely, is that we could have offered to scale down or even erase our claims in return for trade reforms that would have benefited the entire world. We even could have used our creditor position at that time as a medium of forwarding fiscal and currency reforms in Europe. In other words I would say that it was possible a year or two after the war was over to trade our debts for economic stability and currency constancy throughout the world, something that is of vastly greater value to us than promises to pay at some remote period. We did nothing. We had no policy at the most critical economic period of modern times, when we were the only nation in the world that could establish a policy. We just drifted. Conditions went from bad to worse in Europe; extreme political and economic nationalism got the stage, tariffs were heaped upon tariffs and international commerce was ham-strung. And, finally, their harassed politicians hit upon the idea of telling their peoples that the debts to America were really no debts at all—merely political debts, just a little meaningless international bookkeeping; that as a matter of fact not a cent was due the United States and that it would be an outrage for the United States to demand payment. It was represented that we came into the

(*Please turn to page* 810)

PART VI: THE PRINCIPLES OF TAPE READING

(Continued from page 757)

there are always counter forces, known as RESISTANCE, to be reckoned with.

Supply and Demand Security prices are determined by the same laws of supply and demand that apply to other commodities. When more shares are wanted at a certain moment and given price than are then offered for sale at that price, those buyers whose wants are left unsatisfied by the available supply must either raise their bids, or defer their purchases to a later time in the hope that other owners may eventually be willing to supply their demands. Some of the buyers will decide to wait; but others are certain to raise their bids or, what amounts to the same thing, accept stock that is offered at a higher price. Reflecting this surplus demand, the tape will go on recording transactions at advancing prices until the number of shares that are attracted into the market by the higher prices equals the number that are wanted. Just as soon as the number of shares pressing for sale at a given time and price comes to exceed the number wanted, the whole process will reverse itself; and the ticker will turn to printing a series of transactions at progressively lower prices until equilibrium between supply and demand is again reached.

The Technical Position is made up of two forces: a static, or steadying force; and a dynamic, or propelling force. Where manipulation exists, the steadying force comes from supporting orders placed by the pool manager. It will not do to let a technical reaction against the main trend proceed too far; nor is it advisable to frighten the shorts, or encourage a deluge of profit taking, by permitting the price to move too rapidly in the desired direction. In the absence of pool manipulation, the steadying force comes from profit taking by small groups, or individual operators, who started the move. The propelling force starts with inside marking up tactics, is then taken over by professional buying, and finally responds to purchases made by the general public. As more and more buyers, in an ever-widening circle, come into the market, the volume swells, and the propelling force grows in strength. When the public comes into the market, insiders and professionals seize the opportunity to take profits. This generates the counter-force known as "Resistance." A turn in the price movement will take place as soon as the resistance grows to exceed the propelling force, or as soon as the propelling force weakens enough to fall below the resistance. The foregoing considerations, with forces reversed, apply equally well in a declining market.

All three technical forces have their psychological counterparts. Static force is represented by the manipulator's fixed purpose to move prices progressively in a predetermined direction. Dynamic force is the emotional momentum generated by the collective eagerness of outside buyers (or sellers), and maintained by the spreading of enthusiasm (or fear) from one group to another, by imitation. Being a product of crowd psychology, it is naturally contagious and easily stampeded. Resistance is a composite of the desire for profit, and an instinct of combat that is habitual among professionals.

The "Market" A trader will sometimes say to his broker: "Get me the market on XYZ." The broker promptly phones to the floor: "Quote XYZ." It is the same request, phrased in different language. Soon the report comes back: "XYZ: 96¼ – ¾," or, 6¼ bid, ¾ asked," or, "¼ bid, offered at ¾." Suppose we look behind the scenes to discover what this means.

Thousands of people throughout the United States are watching XYZ. They have various ideas as to when they wish to buy or sell; but are far from unanimous on the all important question of prices. One would be glad to buy at 93, another might be willing to sell at par, and others will have price notions that are scattered all along the range between 93 and par. Those who think there may be a chance for the price to reach their figures in the near future, will place advance orders with their brokers. As floor brokers cannot waste time standing around the post until these prices are reached, all but the market orders will be turned over to the Specialist who makes it his business to watch XYZ Common. He will classify these orders in his memorandum book according to price. When asked by some broker for a market on XYZ, the specialist will quote the highest bid and the lowest offer on his book—unless he himself cares to submit a closer bid or offer—for it is a rule of the Exchange that no contract shall be closed at a price lower than the highest bid, or higher than the lowest offer. The fairness of this regulation is self evident.

In our illustration, the market for XYZ happened to be 96¼ – ¾. This merely indicates that, at the time this "quote" was reported, a market order to sell 100 XYZ would have been filled at 96¼, whereas the trader who had ordered 100 to be purchased at the market would have paid 96¾. But it conveys no assurance that more than 100 shares could have been put through at either of those prices, or that the trader will find the same market by the time he has decided to place an order. The market for a stock is continually changing, as do the minds of men; even when actual sales are infrequent.

In the case of active stocks that regularly enjoy a close market, it would be senseless waste of valuable time for the trader to request quotations—except when the ticker is lagging behind; for he can rest assured that the tape will keep him posted. Let us examine, for instance, the run of transactions which are given in Example Number 1:

Example (1) X 144⅛.2.¼.10.⅜.¼.8. ⅜.3.¼.2.⅜.15.½.⅜.5.¼.6.⅜.¼.

The tape here shows clearly that—while the third, fourth, fifth, and sixth transactions were being closed—the market held steady at ¼ bid—⅜ asked. The Law of Continuity would lead one to suppose that the seventh transaction (200 at ⅜) was closed on an accepted offer, and that the bid was then raised to ⅜ and the offering price to ½; but there is no way of being certain that the bid was not raised prior to the transaction at ⅜. Fortunately it is not essential to successful tape reading that points so fine as this be decided. There are many other situations in tape reading where great accuracy is neither possible nor worth while. Among these may be mentioned the futile amount of time sometimes consumed by beginners in compiling voluminous records of every eighth-of-a-point fluctuation. Students are frequently surprised to learn that no wholly accurate report of transactions is obtainable; though it is generally known that stop order and odd lot transactions—which average, perhaps, 30% to 40% of the total volume—are not printed on the tape.

The nearest approach to a true reprint of transactions as they appear on the tape is the so called "Official Sheet" that is supplied daily to members of the Exchange by a private publisher. It is not official, however, and (without meaning to criticize) is not always accurate in every detail. On days of exceptional activity the publishers find it necessary, through lack of space, to "bunch" transactions occasionally. The strip of tape in Example (1), for instance, might be condensed into the following:

U. S. Steel
100..144⅛
600..144¼
2000..144⅜
1500..144½
700..144⅜
600..144¼

While the "Official Sheet" is not an always dependable source of information for studies involving the minimum fluctuation of ⅛ point; it may be relied upon to show every price movement of ½ point or over; although, even here, volume demarcation lines may at times be somewhat blurred.

But the tape itself is not official, and will occasionally fail to report transactions exactly in the order in which they take place on the floor. Neither "spread openings"—such as "X—200.144⅛ to 145⅜", nor the relatively infrequent printing of delayed reports (preceded by the abbreviation, *sld*), need mislead the student of small fluctuations; for both these incidents are plainly labeled as irregular. But there are sometimes other periods of confusion about the posts of certain stocks, when it becomes physically impossible to determine the precise chronological order in which transactions are taking place. Imagine twenty brokers in a crowd—all shouting bids, offers, and acceptances; with per-

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PROBLEMS OF THE AVERAGE BUSINESS—AND THE REMEDY

(*Continued from page 747*)

expediency but as a continuous hour-by-hour performance is a primary remedy for the problems of industry, and the remedy is about 25% mechanical and 75% human. For the mechanical portion, an elaborate technique has been set up. For the human side of the equation the technique in the average establishment is like a forked stick beside a rotary plough.

Application of skilled technology to the human equation comparable in degree with that exerted toward other factors means the limitless duplication of the type of reconstruction exemplified in the incidents just cited.

But the problem is not solved solely by "selling" employees on present conditions. Many times conditions of production are intolerable—which introduces the second element in the above stated remedy—and the employees are the first to know it. Contrary to popular belief, the average industrial worker does not admire inefficiency; he ridicules to himself and to his buddies antiquated methods, over his lunch. He discusses waste which he has seen rampant and correctable. Many of the defections attributed to the human factor are partially due to inefficient systems or methods—ineffective routing or scheduling or lack of a thoroughly scientific control of production. For example, in one plant, a condition was encountered whereby material in process was routed from the first floor to the second, then back to the first and then to the third. It had been accepted as customary and no one thought of changing it. Yet many of the employees commented to themselves on the inefficiency. When it was properly corrected their respect for the company went up a notch and it became easier to get them geared with further improvements.

In another factory, making food products, no adequate control existed of production. There was no record kept of material. No one knew where goods were today or where they would be tomorrow, in the haphazard, systemless arrangement which had become the condition over a period of years. This condition was soundly corrected, not by introducing an efficiency system which employees would have accepted only half-heartedly if at all; instead the individual workers were cultivated and developed so that as a thoroughly scientific production control was worked out, step by step, they were with it; made suggestions as to this detail and that innovation, so that the completed result was a shop that clicked in every particular and turned out goods at such substantial savings that in the first year of the new order of things, red ink changed to black.

This sort of industrial co-ordination secured the maximum from machines, processes, methods and systems by fully capitalizing the individual employee *in relation* to the machine or the process. Labor-saving devices are essential, but machines do not and never will eliminate labor, and time and again new machines have been so bucked by employees that they have proven worthless. Actually, the newer economics of business provides for benefits to employees through the introduction of machine improvements, which will allow of reduction of unit costs, consequent broadening of markets and the sale of more goods, issuing in steadier employment and maintenance of wage levels. But these newer economics must be interpreted to labor, and the employee needs to be developed so that he will contribute to the productive process a high quality of attitude and thought as well as a quantity of effort which will issue not merely in wage, but in his own heightened satisfaction and interest-in-the-job.

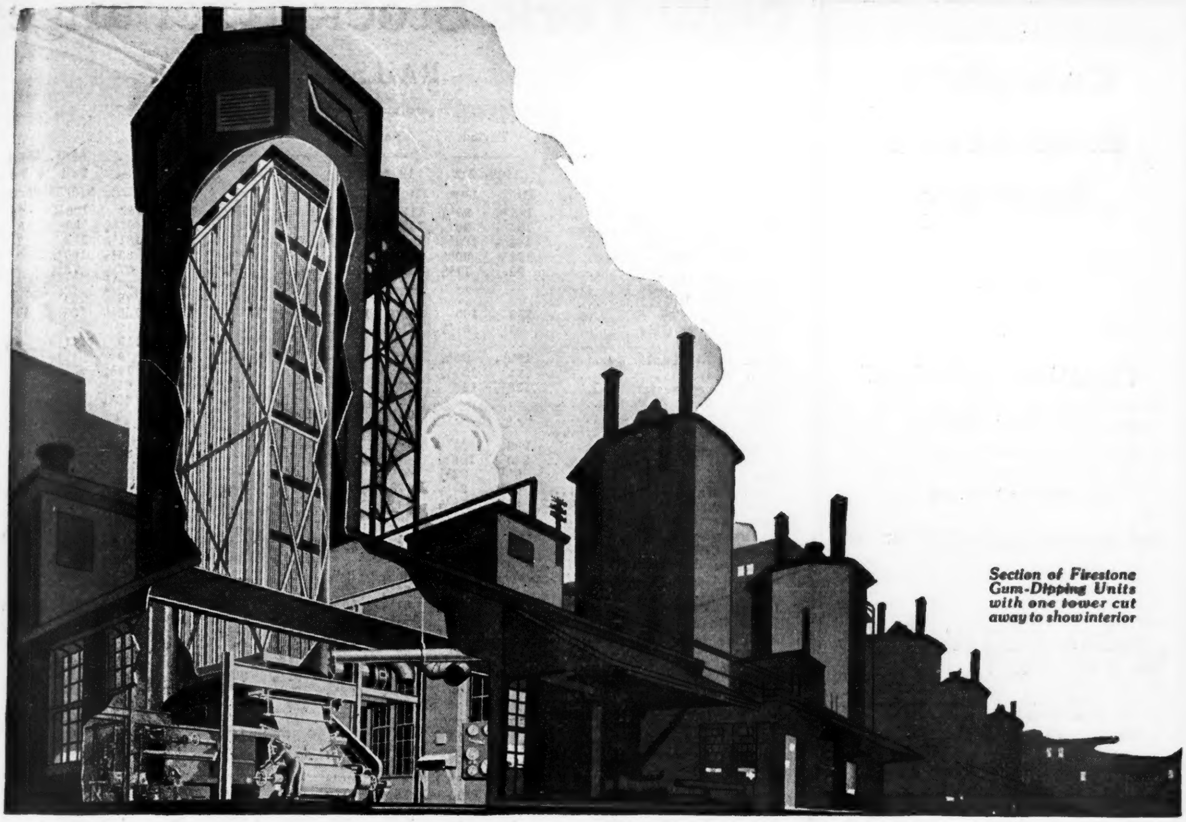
Every plant, mill and factory in the country possesses countless opportunities for doing better the work that has been done for years according to certain accepted methods. It has somehow been deemed a virtue for management never to change its mind; to form a set of convictions as to the merit of its habitual way of doing things, regarded as good yesterday, today and forever. The unwillingness or inability of business executives to change their minds is one of the primary reasons for losses. "We have been in business for over thirty years and have done pretty well so why change?" or "our problems are different" are common stock phrases. "It's against our policy" is another phrase with which innovations are coldly greeted. What is a policy? Merely a decision or a bundle of decisions which have become codified into a basis of procedure. A business policy, other than the fundamental principles of good ethics and morality, often is merely an excuse for not thinking. There is need to put into use the older meaning of the word, which was prudence or wisdom in the management of affairs as distinguished from the general meaning applied to business today which is policy as a settled or definite course or method.

Good business policy in this day of swift change should be predicated on a capacity to meet changes quickly. Some one has well said that the business executive who emerges from the ruck is usually the man who has habitually done what he didn't want to do when he didn't want to do it. Many policies and practices barren of results are clung to primarily because management, for no logical reason, simply has not wanted to change them.

Scientific extension of such treatment, as I have sketched, applied to large and small, has produced results which are a powerful testimony not only to the undeveloped possibilities in human beings but to the sound business policy of devoted hard-headed attention to such possibilities. I know a great factory which three years ago was close to bankruptcy. Today it is humming with activity. A deficit of over a million dollars has been converted into a profit. To get the whole story of what has happened it would be necessary to talk with every employee in the place. Their attitudes would give the answer. They are earning more money than ever before. They have come to find that the number of their interests *with* their employer is greater than the differences, and of far more importance. There are no "grievances" in this plant.

A shoe manufacturer who had proved a cost-cutting program thrust on the employees from the top to be of little avail, found that capitalizing to the full his employees for cost-reduction brought about a 20% lowering of unit cost-to-make which enabled him to regain his market. In a large foundry, the net good castings were increased 40% per month and scrap was reduced to the irreducible minimum, as a permanent, continuous condition. Other instances in a wide range of industries, in small plants and large prove that the dollars-and-cents results from dealing with labor not as a commodity but as the element in industry which has the greatest possibilities, and co-ordinating to the utmost productive and technical improvements, as per the foregoing outline, are of such substantial character as to seem overstated when in fact they may be understated. These results bring benefit to the employees. In fact, a sound industrial remedy must be one which yields advantage to all parties concerned. As I have pointed out in a previous article, high wages and low prices are a possible winning combination and not an economic anomaly.

Other elements are contained in the complete remedy. It is of slight helpfulness to a plant, for example, which has 50% too much capacity to bring employees up to greater production. More production of the present line of products may be the last thing needed. But reduction of costs per unit does not mean more production. Perhaps new products for which market exists may hold the key. Analysis of markets; closer correlation of distribution and production is essential. Overcapacitation is a common problem. I have referred to it in a previous article in this series and to the solution of it which has proven effective. Seasonal production can be balanced by the production of a commodity which will take up the seasonal slack. New products constantly are being brought out, and the backers often go into the manufacturing business themselves under the delusion that they can make more money that way. There are many factories with unused floor space, idle machinery and an organization, in which the new product could be produced more economically. The bringing together of the over-capacitated, plant and the new product, or the established product needing additional production, has proven an important factor in the solution of the current industrial problem.



Section of Firestone Gum-Dipping Units with one tower cut away to show interior

Why Firestone Tires are Better

One of the outstanding developments by Firestone Research Engineers is the process of dipping the cords in a rubber solution which impregnates and insulates every fiber of every cord with rubber. This adds strength to the cords and reduces to a minimum internal friction and heat so destructive to tire life.

The Gum-Dipping of the cords made it possible for Firestone to develop the Full-Size Balloon Tire which gave car owners not only comfort and safety but a definite dollars-and-cents saving in increased mileage.

In the battle of tires on race tracks—in the day-in and day-out service of the largest truck, bus and taxicab fleets—on the cars of hundreds of thousands of motorists everywhere—Gum-Dipping has demonstrated its supremacy in greater economy, safety and comfort.

Do not deny yourself these advantages. Equip with Firestone Full-Size Gum-Dipped Balloons. They are built as only Firestone can build them and will perform as only Gum-Dipped Tires can perform. See the nearest Firestone Dealer.

MOST MILES PER DOLLAR

The Mark of Quality

Firestone

AMERICANS SHOULD PRODUCE THEIR OWN RUBBER . . . Harvey S. Firestone

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1925 High	Low	1926 High	Low	Last Sale 8/4/26	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	140½	91⅜	140⅝	122	138¼	7
Do. Pfd.	106¾	96	102⅛	75	98	72	100	94⅛	99	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	262½	181½	223	7
Baltimore & Ohio	122¼	90⅝	96	88¼	94½	27⅝	102¼	83⅛	100¼	5
Do. Pfd.	96	77⅛	80	48¼	67¾	38⅛	73¼	67½	72⅜	4
Bklyn-Man. Transit	..	..	..	..	64	9¼	69¼	54⅛	64	4
Do. Pfd.	..	..	..	..	83¾	31⅝	86¼	78	†85	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	166⅛	146½	163	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130½	46	144⅞	112	143	12
Do. Pfd.	..	..	..	..	130	96	144	119	†141	6½
C. M. & St. Paul	165⅛	96⅜	107⅛	35	52⅜	3¼	14⅛	9	11¼	..
Do. Pfd.	181	130½	143	62½	76	7	22¼	14⅛	18⅜	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	81⅞	65¼	72	4
Chicago, R. I. & Pacific	..	..	45¾	16	58⅞	19⅛	60⅜	40⅛	58⅜	..
Do. 7% Pfd.	..	..	94⅜	44	105	64	101¼	96	100½	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	90	83¼	89⅞	6
Delaware & Hudson	200	147½	159⅛	87	160¾	83¼	179¼	150¼	166	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	153⅛	129	145	6
Erie	61¼	23⅛	59⅛	18¾	39½	7	40	22½	32⅞	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	49¼	11⅛	47⅞	33¾	42¼	..
Do. 2nd Pfd.	39⅛	19¼	45⅝	13⅛	46¼	7⅛	45⅛	30	39¼	..
Great Northern Pfd.	157⅞	115⅛	134⅜	79¼	100⅝	50⅝	78⅝	68½	74¼	..
Hudson & Manhattan	..	..	..	..	38⅜	20⅜	40	35	39	2½
Illinois Central	162⅛	102¾	115	85⅝	125½	80⅞	124⅞	113⅛	121	7
Interboro Rap. Transit	..	..	..	..	39⅛	9⅛	52¼	24½	43⅜	..
Kansas City Southern	50¼	21⅜	35⅛	12½	51	13	49⅜	34¼	44	..
Do. Pfd.	75⅛	56	65½	40	63¼	40	66⅛	60⅝	†66½	4
Lehigh Valley	121¼	62½	87⅛	50⅝	88⅛	39½	93⅛	75⅛	90½	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	143	118	133	6
Mo., Kansas & Texas	*51⅛	*17⅛	*24	*3⅛	45⅛	*¾	47⅛	32	37	..
Do. Pfd.	*78¼	*46	*60	*6½	92⅛	*2	95	82	92	6
Missouri Pacific	*77⅛	*21⅛	38⅛	19⅞	41¾	8¼	40¼	27	39	..
Do. Pfd.	..	..	64⅞	37½	91⅛	22¼	93⅜	71½	90⅞	..
N. Y. Central	147¾	90⅝	114¼	62⅛	137½	64⅛	137	117	135	7
N. Y., Chi. & St. Louis	109¾	90	90⅜	55	183	23¾	185¾	130	179⅛	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	47	9⅝	48⅜	30⅝	45⅝	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34⅜	14¼	28⅞	19⅜	†24	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	157⅞	139¼	156⅜	7
Northern Pacific	159½	101⅜	118⅞	75	99⅞	47⅞	76½	65⅜	73⅛	5
Pennsylvania	75⅝	53	61½	40¼	53⅜	32¼	55⅛	48⅝	54⅜	3
Pere Marquette	*36⅛	*15	38⅛	9½	85½	12⅛	100½	67	96	8
Pittsburgh & W. Va.	..	..	40⅝	17¾	123	21⅛	119⅜	85	†109	6
Reading	89⅝	59	115⅛	60⅛	108	51⅞	100	79	95⅞	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42	40	†40	2
Do. 2nd Pfd.	58¾	42	52	33¾	65*	32⅛	44⅞	40	42	2
St. Louis-San Fran.	*74	*13	50⅛	21	102¼	10¾	101¼	85	96⅞	7
St. Louis Southwestern	40⅝	18⅛	32⅛	11	69¼	10⅞	74	57½	67¾	..
Seaboard Air Line	27⅛	13⅛	22⅝	7	54¼	2⅛	51	27½	33⅝	..
Do. Pfd.	56½	23⅛	58	15⅛	51½	3	48⅜	31⅛	†36	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	109⅜	96⅛	106	6
Southern Railway	34	18	36¾	12⅛	120½	24¾	121⅜	103⅝	119⅝	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	93	87½	†93	5
Texas & Pacific	40⅛	10¼	29½	6⅛	70½	14	61⅝	42½	54	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	156½	141½	154⅝	10
Do. Pfd.	118½	79⅜	86	69	80	61¼	80	74⅜	80	4
Wabash	*27⅞	*2	17⅛	7	47¼	6	52	33⅞	45¼	..
Do. Pfd. A	*61¾	*8⅛	60½	30⅞	73⅞	17	78⅜	68	74⅝	5
Do. Pfd. B	..	..	32⅞	18	60½	12¼	72	57	†60½	..
Western Maryland	*56	*40	23	9⅛	18⅜	8	16⅝	11	13	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	30*	11	24	16⅝	†20¾	..
Western Pacific	..	..	25½	11	40	12	39¼	33¼	34⅝	..
Do. Pfd.	..	..	64	35	86⅛	51⅛	85¼	77½	†85	6
Wheeling & Lake Erie	*12⅞	*2⅛	27⅝	8	32	6	32	18	25¼	..
Do. Pfd.	..	..	50⅝	16⅝	53½	9⅛	50⅛	37	†44½	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1925 High	Low	1926 High	Low	Last Sale 8/4/26	Div'd $ Per Share
Adams Express	270	90	154½	42	117¼	22	116¼	99⅞	114¾	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	16	7⅛	9⅜	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	143⅜	106	138⅛	4
Do. Pfd.	..	..	..	..	121¼	83	122⅛	118⅜	†122⅛	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	94⅛	78¼	90	6
Do. Pfd.	43	40	92	32½	109	67½	110½	105	†110	7
Am. Agric. Chem.	63⅝	33⅛	106	47¾	113⅜	7⅛	34⅜	15	16⅜	..
Do. Pfd.	105	90	103⅛	89⅛	103	18¾	96⅛	51	59⅛	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	38⅜	21	†23¼	..
Am. Bosch Magneto	..	..	..	..	143⅞	28¼	34⅜	16	†20	..
Am. Can	47⅝	6⅞	68½	19¼	*297⅞	*21	63⅛	38⅞	62½	2
Do. Pfd.	129¼	98	114½	80	121⅞	72	126¼	121	†125½	7
Am. Car & Foundry	76⅛	36⅛	98	40	*201	97½	114⅞	91¼	100	6
Do. Pfd.	124¾	107½	119⅛	100	128	105¾	129¼	123½	†100	7
Am. Express	300	94¾	140½	77½	17	76	140	105⅞	124¾	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	17⅛	7	8	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142¾	29¾	67¼	33⅛	37½	..
Am. Ice	..	..	49	8⅞	139	87	136	109	128	8
Am. International	..	..	62⅜	12	132¼	17	46¾	31⅜	34½	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	87	75	†77½	7
Am. Locomotive	74¾	19	98⅛	46⅝	144⅞	58	119⅞	90¼	104⅛	8
Do. Pfd.	122	75	109	93	124	96½	120¼	116¼	†116½	7
Am. Metal	..	..	..	..	57⅝	38⅜	57⅜	47	53⅛	4
Am. Radiator	*500	*200	*445	*235	*245	64	120⅜	101¼	110	4
Am. Safety Razor	..	..	..	..	76¾	*3⅛	67	42	64½	3
Am. Ship & Commerce	..	..	..	..	47½	4⅜	11⅞	5½	8⅛	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	144½	29¼	144⅜	109⅝	139	7
Do. Pfd.	116⅝	98¼	118⅞	97	115¼	63¼	119	112⅞	†119	7
Am. Steel Foundries	74½	24½	95	44	50	18	47	40	45⅝	3
Do. Pfd.	..	..	..	..	113⅛	78	115	111	112½	7
Am. Sugar Refining	136⅝	99⅞	126½	89⅛	143⅜	36	82⅜	65¼	70½	5
Do. Pfd.	133½	110	123⅛	106	119	67½	105	100	102⅞	7
Am. Sumatra Tobacco	..	..	145⅝	15	120½	6	28⅜	14⅛	†8	..
Am. Tel. & Tel.	153⅜	101	134⅛	90⅝	145	92⅛	150⅜	139⅝	142⅛	9

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale 8/4/26	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	122	111⅜	121¼	8
Do. Com. B	..	..	..	..	*210	81¼	121⅝	110⅛	121¼	8
Am. Water Wks. & Elec.	..	..	..	..	*144	*4	74	43¾	62¼	1.20
Am. Woolen	40⅝	15	60⅞	12	169½	34¾	42⅞	19	24	..
Do. Pfd.	107¾	74	102	72½	111⅞	69½	89¾	66	71⅛	7
Anaconda Copper	54⅜	27⅛	105⅜	24¼	77⅞	28½	51	41½	51	3
Associated Dry Goods	..	..	28	10	*140½	46½	54⅞	37¼	44¼	2½
Do. 1st Pfd.	..	..	75	50½	102	49⅞	102½	96	†96	6
Do. 2nd Pfd.	..	..	49½	35	108	38	108	102	†104	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	59½	44¾	51	2
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	68⅜	33⅛	40⅝	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	56¼	35¼	†42½	..
Atlantic Refining	..	..	..	..	*1575	78½	128⅜	97	116¾	..
Austin Nichols	..	..	..	..	40⅜	8	28	8	14	..
Do. Pfd.	..	..	..	..	95	50⅝	93	73¼	†67	7
Baldwin Locomotive	60¾	36½	154⅛	26⅝	156¼	62¼	136½	92⅞	124½	7
Do. Pfd.	107½	100¼	114	90	118	92	114	105	†111½	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	50¼	37¼	46⅞	..
Do. 7% Pfd.	80	47	186	68	108	78	105	99	103	7
Brooklyn Edison Electric	134	123	131	87	156½	82	149⅞	133	148½	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	94⅞	68	95⅜	4
Burns Brothers	45	41	161½	50	147	76	144	121	136½	10
Do. B	..	..	..	..	53	17	44	29⅞	†35½	2
Butte & Superior	..	..	105¼	12¼	37⅞	6½	6¼	4¾	5	..
California Packing	..	..	50	30	136½	48¼	179½	69⅜	73¾	..
California Petroleum	72½	16	42⅝	8	71⅞	15⅝	38⅛	30⅝	32¾	..
Central Leather	51¾	16⅛	123	25⅞	116½	9⅝	20½	7⅛	9	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	43¼	53⅞	..
Cerro de Pasco Copper	..	..	55	25	67½	23	70½	57½	69¼	4
Chandler Motor	..	..	109⅞	56	141¼	26⅞	26	11¾	13	..
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅜	30	34¼	2½
Chino Copper	50⅝	6	74	31⅜	50⅞	14¾	24	16	22	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	24½	36⅞	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	93	†103	8
Coca Cola	..	..	..	..	177¾	18	164	128	161	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	47¾	27⅜	46⅛	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	90	63⅛	84⅜	5
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	26¼	12½	24	..
Consolidated Cigar	..	..	..	..	80	11⅜	71⅜	45¼	68⅜	..
Consolidated Gas	*165¼	*114⅛	*150⅛	*112½	*145¾	56⅜	110½	87	111½	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	70	84¼	5
Corn Products Refining	26½	7⅜	50½	7	*160⅛	21½	43⅜	35⅝	44½	2
Do. Pfd.	98⅛	61	113⅛	58⅛	127	96	129⅛	122½	126¾	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	48	81½	64	76½	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	11½	8⅝	†9	..
Do. Pfd.	..	..	100⅛	77¼	87	13⅛	49⅝	35½	38½	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	30⅜	23⅝	25½	2
Cuyamel Fruit	..	..	..	..	74⅛	44	51	42⅛	46	4
Davison Chemical	..	..	..	..	81¼	20⅝	46¾	27⅛	37	..
Dupont de Nemours	..	..	..	..	271¼	105	289¾	193⅛	297	10
Eastman Kodak	*No Sales		*605	*605	*690	70	114⅜	106⅝	113⅛	5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	86⅜	71⅛	†83¼	5
Endicott-Johnson	..	..	..	..	150	44	72⅝	65½	66	5
Do. Pfd.	..	..	..	..	119	84	118	114	†116	7
Famous Players-Lasky	..	..	..	..	123	40	127½	103⅛	116	10
Do. Pfd.	..	..	..	..	120	66	124	115	119½	8
Fisk Rubber	..	..	..	..	55	5½	26¼	14¼	19	..
Do. 1st Pfd.	..	..	..	..	116⅛	38⅛	89¼	76⅞	80	7
Fleischmann Co.	..	..	..	..	*171½	*75	56⅛	32¼	51	2
Foundation Co.	..	..	..	..	183¾	58⅛	179¾	85	95⅛	8
Freeport-Texas	..	..	70½	25¾	64⅝	7½	34½	19⅝	32	..
General Asphalt	42⅞	15⅛	89⅜	14¼	160	23	74⅜	50	69¾	..
General Cigar	..	..	..	..	115¼	47	59½	46	49⅝	4
General Electric	188⅛	129¾	187¼	118	337¼	109½	90⅜	79	90⅛	3
General Motors	*51¾	*25	*850	*74½	149¾	*8⅛	214½	113¼	206½	7
Do. 7% Pfd.	..	..	..	..	115	95⅛	120	113½	118¾	7
General Petroleum	..	..	..	..	59⅛	38⅜	70⅛	49½	69	3
Goodrich (B. F.) Co.	86⅛	15½	80¼	19⅝	93⅜	17	70¾	45½	50¼	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62⅛	100	95	†96¼	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	109¾	98⅛	104⅝	7
Do. prior Pfd.	..	..	..	..	109	88	109⅝	105⅜	†107⅝	8
Granby Consolidated	78¼	26	120	58	80	12	24⅞	16⅛	24⅜	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	24⅞	27¼	19	19⅞	1¾
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	62	74	5
Hayes Wheel	..	..	..	..	52⅞	30	46	30¼	33¾	3
Houston Oil	25½	8¼	86	10	116½	40½	72	50¼	60⅜	..
Hudson Motor Car	..	..	..	..	139½	19½	123¼	49⅝	69½	3½
Hupp Motor Car	..	..	11¾	2½	31	4⅝	28⅜	17	25½	1
Inland Steel	..	..	..	..	50	31⅛	43½	34⅛	42	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	26⅞	20¾	25⅜	2
Inter. Business Mach.	..	..	52⅝	24	176¼	28¾	50½	38⅛	†48	3
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64½	33½	54⅞	2
Inter. Harvester	..	..	121	104	149⅝	66¾	134½	112¼	129¼	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	12⅜	7	†6⅞	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18⅛	46⅜	27	30½	..
Inter. Nickel	*227¼	*135	57⅛	24⅛	48½	24¼	46¼	32⅜	37⅝	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63⅜	44⅛	52¼	2
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	21½	12¼	†62½	..
Do. 8% Pfd.	..	..	101	72	110	33	74¾	61	†51	..
Kennecott Copper	..	..	64¼	25	59¼	14⅝	58⅞	49¾	57⅞	4
Kinney (G. R.) Co.	..	..	..	..	103	35½	82½	61	†55	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	53½	60	4
Loew's, Inc.	..	..	..	..	44¾	10	43⅛	34¼	42¼	2
Loft, Inc.	..	..	..	..	28	5½	11¼	7	7⅛	..
Lorillard (P.) Co.	*215⅛	*150	*239⅞	*144⅛	*245	30¼	42¼	31	31⅝	3
Mack Trucks	..	..	..	..	242	25½	159	103⅛	124¾	6
Magma Copper	..	..	..	..	46	26⅛	44⅞	34	42	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	15⅝	18	..
Maracaibo Oil Explor.	..	..	..	..	37½	16	28⅞	20⅜	22¾	..
Marland Oil	..	..	..	..	60⅛	12⅛	63⅜	49⅛	58⅝	..

New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 8/4/26	Div'd $ Per Share
May Department Stores	*88	*65	*97½	*35	*174¾	*60	137½	106⅞	123¼	5
Mexican Seaboard Oil	..	..	..	..	34½	5¾	13¾	6	†11⅞	12
Montgomery Ward	..	..	..	..	82½	12	82	54	74¼	..
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	98½	74	92⅝	4
National Dairy Prod.	..	..	..	..	81⅞	30⅛	80	53	69½	3
National Enam. & Stamp	30¼	9	54½	9	89½	18½	40½	22⅛	†22	..
National Lead	91	42½	74⅝	44	174¾	63½	174¾	138	160	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	44¾	36½	40⅝	2
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	45⅞	32½	†32	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	67	42	55¾	10
Do. Pfd.	..	..	..	..	50½	31⅞	51⅛	49	†50½	3
Pacific Oil	..	..	..	..	78½	27½	83⅛	1	1½	..
Packard Motor Car	..	..	..	..	48½	9⅞	45¼	31¾	42⅝	2.90
Pan.-Am. Pet. & Trans.	..	..	70⅝	35	140¼	38	76½	56⅛	68⅞	6
Do. Class B.	..	..	..	..	111¾	34⅛	78⅜	56⅞	68½	6
Philadelphia Co.	59¼	37	48⅞	21⅛	68¾	26½	76⅝	59⅛	†70	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	48⅜	36¼	39	..
Phillips Petroleum	..	..	..	..	69⅝	16	49½	40	48	3
Pierce-Arrow	..	..	65	25	99	6⅛	48⅛	19	31⅝	..
Do. Pfd.	..	..	109	88	111	13½	116	76½	113¼	8
Pittsburgh Coal	*29⅜	*10	58⅜	37½	74⅝	37¼	42½	29	†32	..
Postum Cereal	..	..	..	..	*134	*47	124⅞	75½	103⅝	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	41⅛	34⅛	38	..
Do. Pfd.	112	88½	109⅛	69	106	67	87½	83¼	84¼	7
Pub. Serv. N. J.	..	..	..	..	87⅞	29	93⅞	72	91	5
Pullman Company	200	149	177	106½	173½	87¼	182½	145¼	178	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47	33	†34¼	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	31	25⅝	27⅝	1½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	48⅜	32	42¾	..
Ray Consol. Copper	27½	7½	37	15	27½	9⅞	14½	10½	14½	1
Replogle Steel	..	..	..	..	93½	7¼	15⅞	8⅜	9¾	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅝	44	60¼	4
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	97½	91¼	97½	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅜	50	50	3.26
Savage Arms	..	..	119¾	[illegible]	108⅜	8⅞	102½	73	79	4
Schulte Retail Stores	..	..	..	..	134⅞	88	138½	42½	47	8
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	57¼	44¼	56¾	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	48⅝	40¾	†40⅝	2.16
Shell Union Oil	..	..	..	..	28⅜	12⅛	28⅞	24	28⅜	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	33	34⅝	2
Simms Petroleum	..	..	..	..	28⅛	6½	28⅝	16½	18	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	24⅞	19⅝	22⅛	..
Skelly Oil	..	..	..	..	35	8⅝	37⅛	26⅝	34	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	141¾	103	132¾	6
Standard Oil of Calif.	..	..	..	..	*135	47½	62⅞	52⅝	59½	2
Standard Oil N. J.	*446	*322	*800	*355	*212	30⅞	46⅝	40¼	44⅜	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	119⅛	116	116⅜	7
Stewart-Warner Speed	..	..	*100½	*43	*181	21	98⅞	68⅜	73	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	59⅞	67¼	6
Studebaker Company	49½	15¾	195	20	*151	30⅛	61⅜	47	65⅝	5
Do. Pfd.	98⅛	64½	119⅛	70	125	76	122½	114½	†118	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	16	10⅞	12	1
Texas Co.	144	74½	243	112	57⅜	29	56	48	53¾	3
Texas Gulf Sulphur	..	..	..	..	121⅞	32⅝	173	119½	170⅝	10
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	12⅛	14⅝	..
Tide Water Oil	..	..	225	165	195	8½	39¼	30¼	30½	1½
Timken Roller Bearing	..	..	..	..	59⅝	28¼	62¼	44⅞	61	4
Tobacco Products	145	100	82⅜	25	115	45	110⅝	95¼	104⅜	7
Do. Class A.	..	..	..	..	110⅝	76¼	113½	108	112¼	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	5½	3	4⅞	..
Union Oil of Calif.	..	..	..	..	43⅜	33	56	37⅛	54	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	100½	83⅛	97	2
United Drug	..	..	90⅞	64	175⅛	46¼	167	134	159⅜	8
Do. 1st Pfd.	..	..	54	46	58⅛	36⅝	58½	55½	†57⅛	3½
United Fruit	208½	126½	175	105	246	95⅝	116½	98	113⅜	4
United Ry. Investment	49	16	27½	4¼	41	6	27½	19⅜	†24½	..
Do. Pfd.	77	30	49¼	10½	83¼	14	86¾	65	†75	..
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7⅜	250	10½	248½	150	243	10
Do. Pfd.	84	40	67½	30	113	38	109	100¼	107	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35¼	75½	45⅝	57	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	48⅛	62⅛	4
U. S. Rubber	59½	27	80½	44	143¾	22½	88¼	50¼	59½	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	109	101½	107	8
U. S. Smelt., Ref. & Min.	59	30⅝	81½	20	78¼	18⅜	49⅞	36⅝	41	3½
U. S. Steel	94⅞	41¼	136⅝	38	139¼	70¼	153⅜	117	156½	7
Do. Pfd.	131	102½	123	102	126⅝	104	130⅛	124½	128	7
Utah Copper	67½	38	130	48½	111	41½	105	93	†103	5
Vanadium Corp.	..	..	..	..	97	19⅛	37½	29	36¼	3
Western Union	86¼	56	105½	53⅜	144⅞	76	147⅝	134½	144	8
Westinghouse Air Brake	141	132½	143	95	144	76	134⅜	105¼	134⅛	6
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	79½	65	70	4
White Eagle Oil	..	..	..	..	34	20	29¾	25⅛	26⅜	2
White Motors	..	..	60	30	104½	29¼	90	51⅛	62½	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	18	29⅝	..
Do. Pfd.	..	..	100	69	123⅞	23	99	91⅛	96	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	21¾	14	18⅛	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81⅛	*345	72½	222	135¼	167⅝	4
Worthington Pump	..	..	69	23½	117	19⅞	44¾	20¼	28⅝	..
Do. Pfd. A.	..	..	100	85⅞	98½	65	80	68	†66	7
Do. Pfd. B.	..	..	78⅜	50	81	53¼	66	53	†49	6
Youngstown Sh. & Tube	..	..	..	..	92½	59¾	84½	69	92½	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock. a Paid this year.

Securities Analyzed, Rated and Mentioned in This Issue

ANSWERS TO INQUIRIES

(Continued from page 774)

have been caused by belated public recognition of the favorable situation surrounding this company. Loews is a complete unit in the entertainment field. Not only has it production facilities but it controls a chain of 105 motion picture and vaudeville houses located in various parts of the United States and foreign countries. Through Metro-Goldwyn controls the Capitol theatre in New York and certain theatres in Los Angles. The record of the company in the last few years has been of advancing earnings. Net in 1925 was equal to $4.44 a share on the common, against $2.78 in 1924 and $2.28 in 1923. Current net is estimated to be running at a figure considerably above that of 1925. In view of the progress shown to date and the fact that a dividend increase is not unlikely, the stock does not as yet appear to have discounted its full possibilities.

WESTINGHOUSE ELECTRIC

I am rather along in years and I suppose my ideas are hard to change but I have always looked with favor upon Westinghouse Electric as a stock that combined investment merit with speculative possibilities. I have had no reason to complain of my income from this source but the stock has been conspicuously backward in the market. Do you think I should switch to a more volatile issue?—J. A. F., Syracuse, N. Y.

Considering the favorable situation surrounding Westinghouse Electric it is difficult to account for the persistent sluggishness of the common stock in the market. Westinghouse is the second largest manufacturer of electrical equipment in this country. Its record over a long period of years has been one of remarkable expansion both in scope of operation and earning power, gross business having increased from 33 millions in 1915 to over 166 millions in its latest fiscal year. Common dividends have been regularly paid since 1912. Present financial position is excellent, net working capital exceeding 118.9 millions, of which cash and marketable securities account for over 25.5 millions. Current billings are running appreciatively ahead of last year, something which should reflect favorably in later income statements. It is true that at the moment more volatile issues occupy the center of the stage, but with these fundamentals underlying Westinghouse should in the course of time come into its own. We do not advise a switch.

CALLAHAN ZINC & LEAD

About three months ago you gave me excellent advice in regard to my investment position. Some of the stocks you recommended to me show handsome paper profits. I am sorry I did not mention that I also have several hundred shares of Callahan Zinc & Lead. I know this is a doubtful speculation but I purchased at high levels and wonder if it would be wise to sacrifice my holdings at these low levels.—E. E. G., Duluth, Minn.

It is difficult to gauge the actual value behind Callahan Zinc & Lead

(Please turn to page 790)

(*Continued from page* 788)

stock. In its earlier stages the company gave every indication of developing into a profitable mining enterprise, but after operating on a satisfactory basis for a number of years its main ore-bodies became seriously depleted, with the result that it was unable to maintain production on the satisfactory basis to assure continued dividends. Earnings declined to the vanishing point. Recently, development work on the Galena property was attended with good results, and the erection of a 100-ton flotation mill on this tract will probably result in the re-establishment of Callahan as a commercial producer, but the Galena is admittedly a small mine and impressive returns cannot be expected from this source. It would seem that new strikes are essential if the life of Callahan is to be prolonged. We are loath to advise acceptance of your loss but we see no other course open to you.

SUPERIOR OIL

Often in the past few years I have been advised to dispose of my stock-holdings in Superior Oil, but I have persevered in holding, hoping that sooner or later a favorable decision in the company's suit against Atlantic Refining would change the order of things. I now understand that my hopes have been in vain. Is there any way out of this discouraging situation?—S. C., Boston, Mass.

We are sorry to say we can offer you very little encouragement as a stockholder in Superior Oil. We regard this stock as a doubtful speculation. For years a speculative element attached to the shares quite apart from the earning power of the company, due to litigation with Atlantic Refining involving a sum of about 3.5 millions, but although minority stockholders of Superior were awarded heavy damages some time ago, this award has since been set aside and the case dismissed. The Appeals Court maintained that sufficient evidence had not been submitted to support charges by minority stockholders of fraudulent collusion between Robert M. Catts, president of Superior Oil and Atlantic Refining officials. This development seems to rob Superior Oil shares of any semblance of speculative flavor. The company's finances are in bad shape, and its record over a period of years has been of one deficit after another. The outlook is too cloudy to warrant optimism. It is difficult to suggest a satisfactory substitute among low price issues, but we feel you might do worse than give serious consideration to Kay Copper.

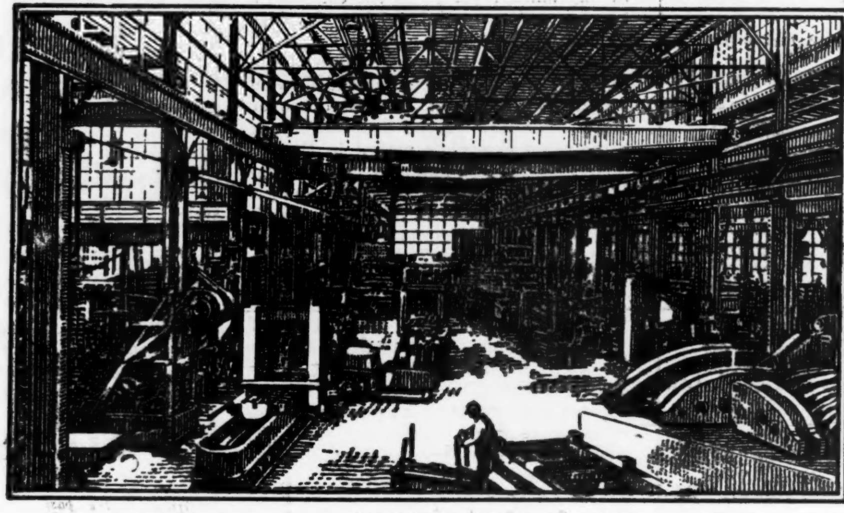
GENERAL MOTORS

The recent advance in the market value of General Motors common has placed me in a position where I now have handsome paper profits. Sometime ago you advised me to hold my stock for further profits, but I am wondering if your opinion has not changed in the last two weeks.—R. A. L., New York City, N. Y.

When one considers that the consolidated earnings of the General Motors system for the six months ended June 30 were equal to $17.33 a share on the common stock, against $9.02 a share in

(*Please turn to page* 792)

STORIES OF COLUMBIA SERVICE—No. V
THE MACHINE TOOL INDUSTRY OF CINCINNATI



Interior view of representative Cincinnati machine tool factory showing the varied apparatus utilized in this important industry.

In the making of machine tools, those wonderful instruments of precision and power by which practically all machinery is built, Ohio takes first rank among the states. The motor car and the train in which you ride, the buildings in which you live and work, the sanitary system which guards your health, the books you read, the food you eat—all are direct or indirect products of the great machine tool industry, centering in Cincinnati. Machines for boring, drilling, milling—pipe and screw machines—engine and turret lathes—pneumatic hammers—planes, shapers, shears—these are a few of the 20 types of appliances in which Ohio leads, among the 60 total varieties produced in the United States. Of an annual national output valued at close to $150,000,000, Ohio contributes more than 25%. Cincinnati machine tools are celebrated throughout the world for their reliable, accurate and efficient qualities.

The manufacture of tool-making tools is a fundamental industry, touching the country's economic life at all points. Furnishing essential power, heat and light to these far-reaching enterprises emphasizes again the basic importance of the services performed, which provides the element of stability that is a feature of Columbia System.

This is the fifth of a series of advertisements in which we propose to give you detailed information of the services performed by Columbia System companies for these communities, their industries and their homes. Investment in Columbia System securities is, in a real sense, investment in the marvelous Ohio Valley.

COLUMBIA GAS & ELECTRIC COMPANY

OFFICE of the PRESIDENT

COLUMBIA SYSTEM

61 BROADWAY
NEW YORK

(Continued from page 790)

the same period of 1924, it is not difficult to understand the recent spectacular advance in the market value of the common stock. Deliveries of cars in the first six months exceeded those of any similar period in the company's history. Among interesting developments in the affairs of the company, the introduction and distribution of the new Pontiac sixes was attended with remarkable success. Sales of over 39,000 Pontiacs in the first half year established a world's record in the industry for a new make of car. Earnings of the Delco-Light division, reflecting increased sales of Frigidaire cabinets both in this country and abroad, contributed materially to the whole. Chevrolet, Buick, Cadillac all established production records. It was only to be expected that the combination of these various constructive factors should be reflected in the market movements of the stock. However, General Motors is now selling at a figure which removes it from the bargain counter, and although higher prices may possibly be seen, we feel it would be good policy to realize on at least part of your substantial paper profits.

GULF STATES STEEL

I notice you have often recommended both United States Steel and Youngstown Sheet & Tube in your columns, but very seldom have you mentioned Gulf States. Is this due to an oversight, or is there an unsatisfactory situation surrounding this company?—C. W. A., Baltimore, Md.

We recognize Gulf States Steel as being fundamentally sound and efficiently managed, but we perceive nothing in its affairs to warrant us in recommending the stock to our subscribers as an outstanding opportunity. According to latest accounts, Gulf States was in fair condition, having $1.16 millions in cash and government securities in the treasury. While this represents a decline from the 1.62 millions of a year ago, no cause for uneasiness exists, the difference being employed to good advantage in the conduct of its business. The unsatisfactory phase of the situation is that Gulf States does not seem to be deriving its proportionate share of new business. Further, it is understood that incoming orders amount to only 60% of current operations. The hand to mouth tactics employed by buyers in this district have been a serious factor to be reckoned with. The outlook for Gulf States does not appear particularly bright, hence we do not feel at liberty to lend our unqualified endorsement to purchase.

UNITED STATES INDUSTRAL ALCOHOL

Why is it that United States Industrial Alcohol stock remains soft in the market while the great majority of stocks show a tendency to seek new high levels? Is there anything radically wrong with the company? I am tempted to purchase some of the common to hold for a year or two.—B. G. R., Portland, Me.

United States Industrial Alcohol shares have not been in popular favor lately, but we feel that the stock at

(Please turn to page 796)

Unlisted Utility Bond Index

Holding Companies

	Investment Grade	Bid Price	Asked Price	Yield
American Gas & Electric 6s, 2014	B..	100	100¾	5.96
American Power & Light 6s, Series A, 2016	B..	99	100	6.00
Continental Gas & Electric 6s, 1947	B..	102¾	103¼	5.73
National Power & Light, Inc., 7s, 1972	B..	103½	104½	6.68
Southwestern Power & Light 1st Mtge. 5s, 1943	B..	96½	97¼	5.24

Power Companies

	Investment Grade	Bid Price	Asked Price	Yield
Alabama Power Co. 1st Ln. & Ref. 6s, 1951	A..	104¼	105	5.62
Appalachian Power Co. 1st 5s, 1941	A..	100¾	101½	4.86
Arizona Power 1st 6s, 1933	A..	100¾	101¾	5.70
Binghamton Lt., Heat & Power 1st Ref. 5s, 1946	B..	99	100¼	4.98
Central Ga. Power Co. 1st 5s, 1938	B..	97¾	98¾	5.14
Consumers El. Lt. & Pwr. New Orleans, 1st 5s, 1936	B..	99	100	5.00
Great Western Power Co. 1st Ref. 6s, 1952	A..	104¼	105	5.63
Idaho Power Co. 5s, 1947	A..	98	99	5.07
Illinois Power & Light 1st & Ref. 6s, 1953	B..	103	103½	5.74
Kansas Electric Power 1st Series A, 6s, 1937	B..	104	105	5.39
Memphis Power & Light 5s, 1948	A..	99½	100½	4.96
Mississippi River Power 1st 5s, 1951	A..	100¾	101½	4.89
Nebraska Power Corp. 1st 6s, 1949	A..	104¾	...	5.63
Nevada-California Electric 1st 6s, 1946	B..	103	103½	5.70
New Jersey Power & Light 1st 5s, 1936	B..	98	99½	5.06
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	106	107	5.48
Ohio Power Co. 1st Ref. 7s, 1951	A..	105½	106¼	6.47
Puget Sound Power & Light 5½s, 1949	A..	100	100½	5.46
Tennessee Power Co. 1st 5s, 1962	A..	97½	98½	5.09
Texas Power & Light Co. 1st 5s, 1937	A..	99¼	100¼	4.97
Virginia Power Co. 1st 5s, 1942	B..	99¾	100½	4.91
Washington Coast Utilities 1st Mtge. 6s, 1941	B..	102½	103½	5.65
Yadkin River Power 1st Mtge. 5s, 1941	A..	99½	100½	4.95

Gas and Electric Companies

	Investment Grade	Bid Price	Asked Price	Yield
Burlington Gas & Light 5s, 1955	B..	96¼	97	5.20
Cons. Cities Light, Power & Traction 1st 5s, 1962	B..	83½	84½	6.06
Dallas Power & Light 6s, 1949	A..	105½	106½	5.49
Gas and By-Products Co., 1st lien & coll. 7s, 1939	B..	97½	99	7.12
Indianapolis Gas Co. 1st 5s, 1952	B..	98¾	99¾	5.02
Oklahoma Gas & Electric 5s, 1950	A..	94	95	5.37
Pacific Gas & Electric 1st & Ref. 5½s, 1952	A..	102¾	103½	5.25
Portland Gas & Coke 1st 5s, 1940	B..	99½	100½	4.95
Seattle Lighting Co. Ref. 5s, 1949	B..	94	95	5.38
Tri-City Railway & Light 5s, 1930	B..	98½	99¼	5.19
Twin State Gas & Electric Ref. 5s, 1953	A..	97	98	5.13
United Light & Railways 6s, 1952	B..	101	102	5.85
Wilmington Gas Co. 5s, 1949	B..	96	97	5.22

Traction Companies

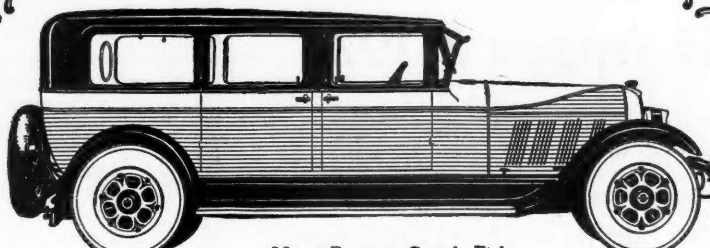
	Investment Grade	Bid Price	Asked Price	Yield
Brooklyn City & Newton 1st 5s, 1939	B..	83	...	7.02
Columbus Street Railway 1st 5s, 1932	B..	95½	97	5.60
Galveston-Houston Electric Railway 1st 5s, 1954	B..	62	64	8.32
Georgia Light, Power and Railway 5s, 1941	A..	88	92½	5.74
Nashville Railway & Light 5s, 1953	B..	99	...	5.07

Telephone and Telegraph Companies

	Investment Grade	Bid Price	Asked Price	Yield
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	100½	102½	4.77
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	100	101	4.87
Ohio State Telephone Co. Ref. 5s, 1944	A..	101	102	4.83
Southern California Telephone 1st & Ref. 5s, 1947	A..	100¼	101¼	4.90

Yield computed at the asked price. Average yield 5.48%.

The past month has been characterized by a recession, which increased yields from 5.38% average to 5.48% average, on the above list. This movement is not special to the utility bonds, but is a reflection of general conditions in the bond market. On the other hand, the sudden burst of popularity of utility stocks in late July strengthened the position of the bonds to a small extent. Shift of interest from bonds to preferred stocks of underlying companies was somewhat in evidence, and may have caused slight technical recession. Demand has been good, however, and recent financing has shown continued hospitality to unlisted utility bonds.



New 7-Passenger Straight Eight
146¼" wheelbase
$2495 f. o. b. factory

How Long Should a Man's Legs Be?

Abraham Lincoln is quoted as answering "Long Enough to Reach the Ground"

How long should an automobile's wheelbase be? Auburn answers—"Long enough to give the greatest comfort!" But, do you sacrifice ease-of-steering in order to enjoy long wheelbase?

Not in the new 7-passenger Auburn Straight Eight. It actually steers easier than the average small car and yet it is the longest car built in America today—146¼-inch wheelbase.

Did you ever try to follow one of the modern busses through traffic—try it once and notice how easily it handles and remember it has 300 inches or more wheelbase. And these busses are not only operating in congested Fifth Avenue but over the sharp curves of the mountain passes from Denver to San Francisco.

To understand why and how Auburn specializes in long wheelbase, you must know about Auburn's policy. It is not one of expediency. It ignores fads. It does not design cars for temporary sales reasons. It aims always at a continued effort towards finer engineered, better designed and more enduringly built motor cars. In short, its sole objective is to build the very best car in every way in the world. To do this, the comfort of the Auburn car must be of the greatest. And comfort is dependent first upon adequate wheelbase. Our engineers have experimented with distribution of weight, dimensions and balance—not simply to obtain long wheelbase for the sake of wheelbase but to obtain the greatest riding comfort on all roads at all speeds. This goal could only be reached through long experimenting. Special steering processes, increased bearings and special engineering, too technical for the layman, were necessary to produce the new Auburn with its low body design, low center of gravity and ease of handling combined with this unprecedented comfort.

Seven adults enjoy uncrowded seating and leg room and a riding ease never before experienced in any car.

See it, drive it and if it does not sell itself you will not be asked to buy.

8-88 *7-Passenger Sedan* $2495; 8-88 *Sedan* $1995; 8-88 *Brougham* $1795; 8-88 *Coupe* $1745; 8-88 *Roadster* $1695; 8-88 *Touring* $1695; 6-66 *Sedan* $1695; 6-66 *Brougham* $1495; 6-66 *Coupe* $1445; 6-66 *Roadster* $1395; 6-66 *Touring* $1395; 4-44 *Sedan* $1195; 4-44 *Coupe* $1175; 4-44 *Roadster;* $1145; 4-44 *Touring* $1145; *Freight and Tax extra.*

AUBURN AUTOMOBILE COMPANY, AUBURN, INDIANA

AUBURN

(*Continued from page 792*)

present levels discounts the worst features of the existing situation. Due to keen competition prevailing in the latter part of 1925, something which was adversely reflected in income account, Alcohol was able to show only $6.74 a share earned on 240,000 shares of common, against $11.47 in 1924, and $11.27 in 1923. This, together with only moderate success achieved in the year to date explains the sluggishness noted in the stock. However, Alcohol's worst showing seems to be behind it and the outlook for the future is sufficiently bright to warrant a constructive attitude. From now on earnings should show a tendency toward gradual increase. Hence, the stock appears mildly attractive as a business man's speculation.

BURNS BROTHERS

I would be very grateful if you would give me your unbiased opinion of the Burns Brothers stocks, both the A and the B. These issues have been recommended to me for quick profits but I know next to nothing of the company's affairs. What action should I take?—W. R. J., Saginaw, Mich.

Due to a combination of unusual circumstances the profits of Burns Brothers in 1925 were probably the largest in its history. The company was fortunate in storing large stocks of anthracite prior to the suspension of mining activities, and in later months disposed of these at a handsome profit. Burns Brothers also achieved considerable success in the marketing of coal substitutes. Finally, the company made over a million dollars profit through sale of its quarter interest in Pattison & Bowns to United States Distributing. This was all very well, but Burns can hardly be expected to duplicate this showing in 1926. Under ordinary circumstances Burns has covered its Class A requirements only by a small margin, and at various times this dividend has not appeared to rest on a very solid foundation. The possibilities for price appreciation contained in the Class B appear remote. We see no incentive to purchase either of these stocks.

AMERICAN ICE

I am favorably impressed with American Ice as a commercial enterprise and the common stock as a medium for profit, but for some reason or other I am unable to find many to agree with my opinion. What is the explanation for this? Isn't the company doing extremely well?—R. J. R., St. Louis, Mo.

American Ice is doing fairly well from an earning standpoint, but results from operation in the year to date have not been on a par with those of 1925. In the first half year, the company earned the equivalent of $9.29 a share on the common, against $14.21 in the same period of the preceding year. Further, its financial position has depreciated somewhat. Cash declined from $1.19 millions on June 30, 1925, to $784,000 on the same date of this year, while notes payable increased from $700,000 to $1.25 millions. The outlook for the balance of the summer

(*Please turn to page 798*)

(*Continued from page* 796)

is for increased earnings, but we are not sanguine enough to believe that Ice will duplicate its 1925 performances. On the basis of this year's results to date, as well as its visible prospects for the future, the stock seems to be quoted fully in line with its actual worth. We prefer International Tel. & Tel. for income and profit purposes.

WHAT INVESTORS CAN LEARN FROM THE METHODS USED BY INSURANCE COMPANIES IN INVESTING THEIR FUNDS

(*Continued from page* 743)

but because of their safety. Yields on European bonds, for example, were extremely low in 1913, because they were then thought to be the best bonds in the world. It was for that reason that our insurance companies were heavily interested at that time. The second significance is that just when the average investor has been led into large purchases of such issues by the hope that high yields will not imperil safety, the insurance companies have been quite deaf to the appeal of such issues. Their policy has been contrary to that of many smaller local banks, especially in the West, whose investment lists reveal a larger proportion than ever of such holdings.

The maximum holding of such issues was apparently about 600 in 1921, since which time insurance companies have apparently been sellers of foreign issues. Here again, their trend is directly the reverse of financing trends generally, for foreign flotations have shown ever increasing importance among private investors. Both these private investors and smaller banks can now ask themselves why insurance companies have shrunk the number of foreign issues in which they are interested to less than they cared to invest in prior to the World War.

Conclusion

The increasing diversification of insurance company investments, from 9,000 to 106,000 in seventeen years did not arise for one reason only. In every category of investment, a different situation has led to differing rates of increase in security holdings. In many cases, the gain in diversity of issues held is deceptive, since there have been great interim fluctuations. A study of the fluctuation of these holdings upholds the reputation of insurance companies as by and large the cleverest investors in the country. Only one caution remains to be observed. Insurance companies require an exceptionally large proportion of liquid investments so as to satisfy loss claims. The investor is usually not similarly so restricted and can thus obtain higher yields with no correspondingly increased risk.

MANUFACTURING INDUSTRIES GENERALLY PROSPEROUS

(Continued from page 764)

visions in some directions have been offset by lower costs through improvements and reductions in raw material costs by virtue of the lowering commodity price level. By and large, there is every indication that the equipment business and hence the earnings of these companies will be sustained.

The farm implement industry is not far behind the electrical equipment field, however, though it still has a faint touch of post war depression blight to eliminate before companies in this group may hope to take full rank with the dividend payers. Notwithstanding the apparent political unrest in farming communities, which is interpreted as a manifestation of the farmer's unsatisfactory buying power, sales of agricultural implements have mounted rapidly in the past two years or more.

Though it is true that the farmer's dollar is still depreciated in comparison with that of the industrialist, he has been able to buy more liberally than heretofore. Moreover, stern necessity has forced him to give heed to the crying demand for replacement of machinery which had been badly run down through some four years of scanty ordering.

Following last year's sharp improvement in implement sales, earnings of the agricultural machinery companies registered striking recovery. The steady rise in volume of sales and production has been maintained in the domestic market and export trade has scored an almost parallel betterment. Net profits of these manufacturers should be even larger, on the average, this year than last, so that the dividend prospect for this group, while rendered spotty by the need for further strengthening of finances in some instances, is quite promising.

Conditions surrounding the oil supply companies are now encouraging, of course, since the trend of the oil industry is such that equipment needs bulk larger than for some years past. Inasmuch as improvement in the affairs of these concerns got underway last year, expansion in earnings is now well established. In one instance, at least, this increase in profits has already been translated into more liberal dividend action, although the full measure of possibilities does not seem to have been exhausted.

Other enterprises in the manufacturing group, as stated at the outset, cannot be treated as an entirety owing to the wide diversity of consuming demand. On the whole, however, the absence of extreme fluctuations in trade and industrial activities in recent times has redounded to the benefit of most companies in what might be termed the "miscellaneous" group. Some exceptions exist. It may also be said that

the greater prosperity has rested with those manufacturers who cater directly to the desire for efficiency in business operations. This is due to the fact that, while business is running to considerable volume in point of sales, competition today is sharp and much emphasis is therefore being laid upon the introduction of labor-saving devices, a tendency which will probably be long sustained.

DIFFICULTIES OF THE TIRE INDUSTRY

(*Continued from page 765*)

counted for in last year's earnings reports for the real slump in crude rubber did not come until 1926. Had the manufacturers not been guilty of overstepping the bounds of prudence, it is possible that the tire market could have been held in line long enough to enable a reduction in high cost inventories without material losses. Competitive conditions, however, combined with a slow demand due to the unsettled spring, caused a rapid rise in inventories of finished goods. Hence, when one of the leading makers drastically reduced prices a short while back, all manufacturers were forced to follow suit. This cut, incidentally, was a sequel to the February reduction of roughly 10%.

These reductions, coupled with severe contraction in crude rubber prices cancelled most of the progress made in 1925 so that first half yearly earnings of the tire companies this year make a disappointing showing in comparison with last year. The smaller manufacturers, especially, while sharing in previous improvement to a degree, have not made a happy showing, on the whole. Most of their large rivals set up substantial reserves against raw material price fluctuations out of last year's earnings so that they will have less difficulty in absorbing inventory losses than the minor producers.

To a large extent, the general price reductions of July served to clear the atmosphere and set the tire industry on a firmer footing. Demand has lately begun to improve and prospects for the second six months have improved. The crude rubber market is decidedly more stable and earnings should measure up to a better standard than in the first half. The tire stocks, however, are all in a speculative position. Dividend increases appear improbable in practically all cases and in some instances, payments are insecure. Only the stronger companies can afford to continue present dividends in the expectation that conditions will henceforth be more favorable.

The motor accessory companies, of course, have shared in the prosperity of the automobile industry, demand for parts and equipment being strongly stimulated by the heavy volume of motor car production. Prospects for com-

panies in this group are extremely variable, however, owing to the great range of products manufactured and the widely differing production policies of the individual enterprises. Beyond observing that the group is more or less speculative and subject to the constant threat of invasion from the motor car manufacturers themselves, it seems unnecessary to consider the industry in detail.

A survey of the automobile prospect would indicate that, broadly speaking, the earnings of the motor accessory companies will be somewhat irregularly lower in the next six months than in those just past, but dividend changes must be considered for each company individually.

ADDING SPECULATIVE SAUCE TO THE INVESTMENT DISH

(*Continued from page* 752)

to the Cuban 10% restriction, but it is notable that after such restriction, and a fiscal year, the greater part of which showed extremely low prices on Cuban raws, Punta Alegre is expected to show earnings equal to year ending September 30, 1925. It then earned $2.61 per share as against $5.50 in 1924. The latter figure is more nearly normal, and was not achieved in a boom year.

Prevailing price of stock is $34. Parity price for conversion is $55. At prevailing price of 108, to yield 6% and to give a current income of 6.48% Punta Alegre 7s are not badly priced. They hover close to redemption price of 108½. With no prior liens, with net current assets in excess of amount outstanding, with assets nearly five times this issue and with interest earned about 1.66 times, the bonds while not high-grade are unexceptionable. There can be little doubt that a sustained recovery in prices of Cuban raws will turn the corner for the stock, as well as add to earning power behind the bonds, and that this bond has not several years to wait before handsome profits should be realized. In addition to present yield, an advance, say, of the stock to 60, in two years, would result in a total current income and profit of 11% per annum. *The bonds are decidedly attractive for long-term speculation.*

American District Telegraph of New Jersey 7% Preferred

A CONTROLLED corporation of the Western Union, whose telegraphic signal and alarm devices are familiar to everyone. American District Telegraph of New Jersey preferred stock is selling at 109, and has fluctuated between 104 and that figure. At prevailing quotations, current income is about 6.42%. Attractive as to in-

come, the only fly in the ointment is the call price of 110. However, as American District Tel. of New Jersey has not seen fit to exercise this right all along, with prices skirting the call figure, there is no special likelihood that it will do so today. Stock is convertible into common on a share for share basis. Common stock is today selling at about $66. The principal reason for the price is the small dividend of about $3 per share. It is evident, however, upon critical inspection of earnings now at the rate of over $12 a share, that the common could pay $8. Present surplus position must eventually compel such a dividend, and when it becomes established it is not unfair to assume that American District Telegraph of New Jersey common will sell eventually at considerably over par. *In the meantime, the excellent income on the preferred can well sustain hope, and when the common moves up, even a loss of a few points may be sacrificed in order to obtain the common on the upgrade.*

MIXED CONDITIONS IN THE CHEMICAL INDUSTRY

(Continued from page 763)

able prospects, the industry was confronted with an impoverished cotton belt. A huge cotton crop had to be marketed in the face of falling prices. Fertilizer sales met with sharply curtailed credit. Naturally the result was unfavorable to the manufacturer. With one of the largest companies just completing reorganization, and with the cotton grower's return to prosperity apparently postponed by the prospect of a second large, low-priced crop, the chances are against any attractive showing by the companies this year.

Broadly speaking, the industry has largely maintained its 1925 level. Whereas a good volume business has prevailed, margins have been narrow and consequently earnings generally are not expected to be of unusual proportions. Furthermore, it is essential in this industry, perhaps more than in any other, that substantial portions of earnings be annually plowed back into research, replacement and improvement if the company is to progress, or even maintain its position.

Marketwise, the chemical group presents many variations as might be expected of an industry whose interests cover such a wide range of activity. Some companies could readily afford to alter their dividend policies in favor of their shareholders but the number of issues which hold out investment promise is limited.

Dividends

MARTIN-PARRY CORPORATION

New York, July 22nd, 1926.

The Board of Directors of the Martin-Parry Corporation has this day declared a dividend of Fifty Cents (50c) a share on the capital stock of the Corporation, payable September 1st, 1926, to stockholders of record August 16th 1926. The transfer books will not be closed.

F. M. SMALL, President.

INVESTING IN BRAND NEW INDUSTRIES

(*Continued from page* 741)

created almost over-night, and it is also true that the same principles apply to a large extent to new and previously unexploited branches of an old industry, if the possibilities of the new line attract sufficient competition which would not otherwise have occurred.

If it is desired to participate in a brand new industry, the safest means of doing so from the standpoint of the investor is to acquire the shares of a financially-sound and well-established company which has undertaken the products of the new industry as a side line. General Electric may be used as an illustration in its application to radio, General Motors for electric refrigeration, and duPont for rayon. This assumes other things being equal, and must not be construed as a recommendation to purchase these stocks at prevailing levels. The general principle, however, holds good. Such companies by reason of their financial resources are not only better able successfully to develop a new line, but an investor in their securities eliminates the risk of losing his entire investment in the event that the new industry at some future time undergoes a severe depression.

PART VI: THE PRINCIPLES OF TAPE READING

(*Continued from page* 780)

haps, seven different reporters for the private company that operates the ticker service—pad in hand, straining to catch every transaction, and dispatching their memoranda by messenger to one of the several transmitters that feed the ticker. At such times the tape may report—not one, but several closely intermingled markets for the same stock.

Behind the Scenes

A wide market indicates that no one, at the moment, is especially anxious to either buy or sell. As the desire to trade grows stronger, this spread between the bid and ask price will narrow down, until the gap is suddenly bridged by a sale. No transaction is ever closed without compromise on the part of one side or both; for there must always be a difference of at least 1/8 between potential buyers and sellers so long as they continue to haggle over price. Nearly every transaction in active stocks shows a compromise by one side only; for the spread between bid and ask is usually only 1/8—the smallest price interval recognized by the Exchange—which leaves no room for both sides to meet half way. When the com-

promise is wholly one-sided, *the party whose motives are the more insistent will be the one to yield.* This is the first general principle in tape reading.

The second principle is that *large quantities of stock are generally more significant than small ones.* Those who swing large quantities usually command enough capital to reinforce a trade with repeat orders, and frequently so plan their campaign as to influence prices in a manner to help them achieve some fixed purpose. The small trader, whose limited capital permits the carrying of only one or two open trades at a time, can only drift along with, or be overwhelmed by, the strong market currents that are created by the big propellers. The big fellow always has foremost in mind the influence that his trades will exert upon prices. The little fellow must perforce be either an opportunist, an imitator, or a victim of depleted margins. His foremost thought is to profit passively by price movements that big traders create.

Let us see what these two principles might enable one to deduce from the short section of tape reproduced in Example (1). The whole picture gives one the impression of a fairly well controlled but determined effort of the larger traders to acquire stock, accompanied by more leisurely selling on the part of other interests. Both sides evidently feel that there are no immediate prospects of a decline in price, though the buyers seem to be more optimistic than the sellers. So far as an opinion could be based upon such meager data, one would be warranted in concluding that the nearby trend is upward. This diagnosis is based upon the clearly obvious fact that buyers of fair sized lots are eager enough to fill their wants at the offering price, though the small buyers quibble over an eighth. On the other hand: we observe that the larger sellers are content to wait for buyers to reach a little for their stock, whereas it is the little fellows who sell at the market. The only possible exception to this otherwise consistent evidence is the 500 shares at ¼. The attitude of small traders is also significant in our example: neither buyers nor sellers seem to have much faith in the upward tendency. This brings us to the third principle in tape reading: *the public is usually wrong.*

There are always several possible explanations of what might have taken place behind the scenes to produce any short series of transactions. Which one fits into the larger picture can only be determined by studying transactions that led up to the episode in question. In our example, for instance, room traders might have been taking profits on stock purchased further down, thereby supplying the demands of an uneasy short interest. But whatever theories one may construct, in this case, about the identity of buyers and sellers, and their motives; the fact remains that the buying was more urgent than the selling—at that time. The situation could change very quickly, how-

ever; for long range forecasts cannot be derived from a few inches of tape.

Mental Pictures The tape reader will find it helpful to construct mental images of the human aspects of transactions as he interprets them. Almost any plot that fits the immediate situation will serve as a starting point; but this must be gradually readjusted to include more and more transactions as they come out on the tape, until a satisfactorily explanatory picture of the whole situation has been created. It is surprising to discover how these human trading characters, created by the imagination, soon take on independent action of their own, so consistent with actual developments in the market that the supposed motives for their operations can almost be used as a basis of forecasting. This method was employed by the writer to describe the manipulation in Consolidated Electric. Let us apply it now to the transactions shown in Example (1):

Imagine two pools operating in Steel—the original big pool, which has accumulated its line at considerably lower prices and marked the stock up to this level; and a small bob-tailed pool, recently organized under the stimulus of glowing market and trade gossip. The newborn pool can scarcely restrain its impatience to acquire stock. The original pool manager, sensing the advent of "outside" buying (for the new pool is just as much an outsider to the old pool as are floor traders and the general public), concludes that this is a good time to feed out some stock on a scale up. It may be the beginning of distribution by the original pool; or it may be only short stock put out to enable its manager to render support on the next technical reaction. More evidence would be needed to decide this point. It looks as though 2,000 shares in all were sold at ⅜ by the big pool to the little pool, on the way up from ⅛ to ½; and 1,500 more at ½. At this point some room trader's open order to buy 500 at ½ "stop" may have been filled by a floor trader at ½, leaving him short 500. (This transaction would not appear on the tape.)

"1,000 at ½," offers a broker for the big pool. The little pool's broker does not quite relish the idea of taking too much stock at ½, so stands silent to watch what happens. No one else seems interested. "⅜ for 100," bids some broker, who has just received a customer's order to "buy 100 at ⅜, or better." "You're on," rejoins another broker, under instructions to sell 100 at the market. For a brief moment no other bids are heard. Here the floor trader who had just filled the stop order at ½ senses the psychological moment to cover at a small profit. He bids ¼ for 500. "Sold," snaps another floor trader who had recently bought 500 at 144, and does not care to risk losing all his profit.

A broker for the original pool now offers 600 at ⅜. The little pool's broker jumps in and takes this, mentally kicking himself for letting the other fellow

pick up the 500 at ¼. He then bids ¼ for 1,000. "Sell you a hundred of that," shouts some broker with a market order to fill. "Taken," retorts the little pool's broker, glad to pick up even 100 at ¼.

Here is a case where two brokers are put into the crowd—one to depress the stock, the other to accumulate it. Lack of space compels us to leave the creation of an explanatory picture to the reader.

ABC 80⅛.80.2.79⅞.¾.10.⅞.¾.2.⅝. 5.¾.3.¾.½.⅜.15.½.⅜.5.¼.⅛.

Our next installment will take up Price Movements and Turning Points. Investors and Traders who are interested in the subject of forecasting cannot afford to miss this number.

A LITTLE MAN WITH A BIG POCKETBOOK—AND A BIG MAN WITH NOTHING

(*Continued from page* 769)

handled and his varied business interests prosper. The L. M. W. T. B. P. knows no such distress as the "poverty stricken rich man" who sits up late into the night in the company of his creditors' statements. It is true that every now and again the Little Man closes up his office early in the afternoon to make an accounting of his affairs—a pleasant experience that frequently extends late into the evening.

With the inventory taking out of the way and a financial program mapped out for the coming months, he often remains a few minutes longer to finish his cigar and reflect on the favors that Good Old Mother Fortune extends to those who hold themselves in readiness to take advantage of her opportunities. In his strong-box there still lies a soiled and often fondled check that represents his first investment profit. But that was not the start. The foundation of his sizable fortune was a savings account, started in early youth and nurtured until a sum had been realized that gave him courage to enter the investment field. The first securities to go into the newly rented strong-box were sound bonds—later preferred stocks of good rating, and finally investment stocks.

Those who know in a measure of the extent of the Little Man's holdings sometimes wonder why he has never attempted to establish himself as the Big Man. In the absence of more intimate knowledge they say, "success has not turned his head." Yet the truth is that the L. M. W. T. B. P.'s first $5,000 fired his ambition to be "big and important." But the hasty scramble for quick riches and the extravagances of living in grand style, soon depleted the meager savings. His lesson, fortunately, was early learned. Perhaps, that is why he smiles so knowingly when his many good friends would have him start to live in grand style now.

TRADE TENDENCIES

(*Continued from page* 776)

dustry. Railroad participation is again making itself felt on the buying side; many inquiries for cars of all descriptions have come into the market and quite a few orders have been placed. Buying of bars, shapes, and plates in the Central West has dried up a bit; but automobile companies are still heavy purchasers of sheets and cold rolled bars. Sales of structural steel have been fairly large; inquiries, however, are a little ahead of demand.

Iron prices still hold around the low level. Consumers continue to import iron in increased quantities; and should foreign shipments come to us in the last half of the year at the rate of the first half, it is likely that imports of iron for 1926 will establish a new high record.

SHIPPING

Active in U. S.

Shipping, universally, continues to labor under low freight rates resulting from competition in a world overstocked with ships. The situation is reflected in a recent Lloyd's report, which shows the marked decline in shipbuilding to a new low level. Although this tendency has been in evidence for the past two years, the total of new tonnage under construction during the second quarter of this year was some 40,000 tons below the previous one and nearly 400,000 below June, 1925. Great Britain still heads the list in gross tonnage, but Germany has yielded third place to France. In fact, the United States and Holland alone show gains in new tonnage. In spite of the fact that construction of motor vessels has declined with the rest, it is interesting to note that nearly 45% of present world construction is of this type.

While shipping in the U. S. is still considered depressed, the industry is marked by considerable activity, which if sustained, would seem to presage improvement. Passenger traffic, both coastwise and transoceanic, has been of highly satisfactory and remunerative volume this season. Moreoever the Department of Commerce reports the combined intercoastal and foreign freight through American seaports, for the first quarter, to be 3% over last year. There is every indication that this rate is continuing, or being exceeded, at present, augmented, no doubt, by the large tonnages of coal moving to England.

A great deal of interest continues to be displayed in the purchase of tonnage already afloat. The Shipping Board has lent impetus to this movement by the announcement that in the

sale of its remaining 625 vessels in the laid up fleet, the minimum cash requirement with the signing of the contract will be 10% instead of the former 25%—the balance to be distributed over ten years. The reduction, however, will probably not apply in the proposed sale of the United States Line, and the American Merchant Line. Even though two prominent and expected bidders will probably be eliminated in the contest for these lines, through the failure of the International Mercantile Marine to consummate a recent sale abroad and the continuance of a second large interest to represent a well-known foreign concern, active competition is expected in the bidding.

The Mengel Company

Louisville, Ky.

The Board of Directors on August 5th, 1926 declared the regular quarterly dividend of one and three-quarters per cent (1¾%) on the Preferred Capital Stock of the Company, payable September 1st, 1926 to stockholders of record at the close of business August 16th, 1926.

J. C. DORMAN, Secretary.

Any preferred Stock to be transferred should be sent to this office, Eleventh and Dumesnil Streets, Louisville, Ky.

J. C. DORMAN, Secretary.
Louisville, Ky., August 5th, 1926.

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war too late to decide the issue, but in full time to profit from its profligate expenditures. On the other hand, here in the United States, we joined the mad dance of extreme nationalism and higher tariffs, making debt settlements physically impossible. At this unfavorable conjunction we presented our bills and demanded the funding of the debts.

"So, finally, we got into the present mess, of the whole allied world hating us for doing in the beginning precisely what our friends implored us to do. In this situation it would be folly to cancel the debts. It would win us no friends abroad. Our former friends have come to hate us, but if we cancelled the debts they would despise us too. Cancellation would not bring us a dollar of trade or the hope of one. The private international debts now loom as large as the political debts. If Europe is barred from paying the one it is also barred from paying the other.

"Internally cancellation would not be worth a cent. It could help us only if it stimulated trade with the world. It can not do that when we counter it with a policy of trade isolation. We have not yet seen the top of the flood tide of damaging reaction from our awful blunder of letting and abetting the world to drift into a new economic war. Europe is buying from us only about half what it did before the war, and is seeking every possible way of buying that half elsewhere. Our farmers know the result—and also some of our manufacturers.

"Instead of outright cancellation, which would do us no good either in the esteem or the patronage of Europe, we should even at this late period grasp the reins of economic leadership, and endeavor to effect a general economic readjustment and currency stabilization throughout the world, using our position as a colossal creditor to promote financial reason and commercial reciprocity; standing ready at the same time to do as we would have others do, and modify our trade restrictions in a give-and-take spirit."

While Mr. Hull can envisage ultimate cancellation for a consideration, Congressman Willis C. Hawley, of Oregon, ranking Republican member of the Ways and Means Committee of the House of Representatives, the committee that would pass on a cancellation proposal cannot conceive cancellation in any guise.

"It's absurd," he exclaimed. "Can you imagine the American people standing for a gift of $11,000,000,000 to the Allies? It is not within the domain of practical thought. Now is there any promise of any substantial benefit from cancellation. It would not improve domestic trade or foreign trade."

Mr. Hawley probably represents the prevailing view of members of Congress. Most of them consider that the surest route to political extinction would be to urge cancellation of the debts.

Some of those who firmly oppose cancellation take a grim satisfaction in

concluding that if we insist on collection we shall have to revise our international trade policy and abandon high protective tariff duties. Among these is Senator Furnival M. Simmons, of North Carolina, a consistent opponent of high tariffs. He indorses the debts and rejoices that the mechanics of payment will require a changed tariff policy. Says Senator Simmons (who is the ranking Democratic member of the Senate Finance Committee), in a statement prepared for THE MAGAZINE OF WALL STREET:

"I am opposed to *further* cancellation of the war loans to our allies. With the exception of the British debt, the funding settlements have already cancelled the principal of each loan; all we are getting is about the equivalent of the original interest at the rate of 5 per cent. In all this discussion about cancellation too little stress is put upon the measure of cancellation already granted. The lack of appreciation of our generosity in virtually forgiving the principal of the debts indicates how little we would gain in international friendliness by forgiving the interest as well.

"No one can say that we have not adjusted the burdens of these war debts to the capacity of our debtors to pay.

"How they may establish the mechanical means of payment is another proposition. Under a different attitude on our part toward international trade there would be no difficulty in that respect. The effectuation of such an attitude is, however, a matter of domestic politics pure and simple. It is our own business and our own fault if we so conduct our national economic affairs that the debtor with wealth in hand can find no way to get cash credit for its transfer to us. Practical cancellation of the debts may, therefore, result, as when an individual goes into bankruptcy with a surplus of property but a shortage of cash.

"It is entirely within our power to make the debts collectible and a source of international amity instead of discord. With a lowering of artificial trade barriers there would be such an increase in the international exchange of commodities as would make it easy and even pleasurable for our debtors to pay us—and at the same time it would widen our markets. If for no other reason than the pressure their existence exerts for an improvement of politico-economic relations I would oppose the cancellation of the remainder of the allied debts.

"These reflections should cause investors to consider that private foreign loans are in the same category as public loans when it comes to the mechanics of payment. The international private loans now exceed the public loans. If the latter are uncollectible because of the actualities of international trade so are the former. It would be foolish to forgive public debts in the interests of international good will and workable relations when private creditors are building up an equally troublesome international obligation—as we now manage our foreign trade."

Bank and Insurance Stocks

Quotations as of Recent Date

NATIONAL BANKS:

	Bid	Asked
American Ex-Pacific (18A)	440	446
Chase (20A)	418	423
Chatham & Phenix (16)	361	370
Chemical (24)	795	810
City (20A)	623	629
Commerce (16)	380	384
First (N. Y.) (100A)	2540	2565
Hanover (27)	1045	1065
Park (24)	489	494
Public (16)	538	548
Seaboard (16)	660	680

TRUST COMPANIES:

	Bid	Asked
Bankers (20)	642	650
Bank of N. Y. & Trust Co. (22)	627	635
Brooklyn (30)	785	795
Central Union (33)	900	910
Empire (16)	343	348
Equitable (12)	280	284
Farmers' L. & T. (16)	535	545
Guaranty (12)	388	392
Irving-Columbia (14)	323	327
Manufacturers (20)	515	525
New York (20)	545	555
United States (60)	1745	1775

STATE BANKS (NEW YORK):

	Bid	Asked
America (12) (V. T. C.)	300	...
Corn Exchange (20)	580	590
Manhattan Co. (8C)	222	228
State (16)	590	610
United States (10)	312	320

INSURANCE COMPANIES:

	Bid	Asked
Aetna Fire (24)	520	530
Aetna Life (12)	665	675
*Fidelity-Phenix (6)	185	189
*Continental (6)	128	131
Glens Falls (1.60)	39	41
Globe & Rutgers (28)	1425	1475
Great American (16)	278	283
Hanover (5)	187	195
Hartford Fire (20)	525	535
*Home (18)	337	342
*Carolina (1)	28	31
Milwaukee Mech. (2.20)	34	38
National Fire (20)	745	760
Niagara (10)	225	230
*North River (4)	107	115
*United States (4.80)	135	143
Stuyvesant (6)	200	215
Travelers (20)	1185	1200
Westchester (2.50)	44¼	45¼

SURETY AND MORTGAGE COMPANIES:

	Bid	Asked
American Surety (8)	185	190
National Surety (9)	217	221
Lawyers Mortgage (14)	285	291
Mortgage Bond (8)	150	160

JOINT STOCK LAND BANKS:

	Bid	Asked
Bankers of Milwaukee	80	90
Chicago (6)	109	113
Dallas (10)	135	142
Denver (8)	124	128
Des Moines	85	95
First Carolina (8)	122	128
Kansas City (6)	105	109
Lincoln (9)	130	135
New York (10)	145	155
St. Louis (9)	140	150
Southern Minnesota	85	95
Virginia (.50B)	6⅞	7½

(A) Includes dividends from Securities Company. (B) Par $5. (C) Par $50. *Members same group.

BANK and insurance stocks have displayed either static or reactionary tendencies, with only a few exceptions. In no case, however, was the recession marked, except in Bank of America. Selling on the basis of recent voting trust decision is a probable explanation.

The latest important merger is that of Irving Bank-Columbia Trust Co., with National Butchers and Drovers Bank. This bank had passed to new controlling interests in 1925. It is, despite its historic name, principally interested in the textile, garment and other needle trades. Irving-Bank Columbia Trust capital stock is to be augmented by 45,000 shares, to be paid for at $200. Of this increase 10,000 shares is to be given to National Butchers and Drovers Bank shareholders. This $2,000,000 capital is to come out of National Butchers and Drovers' surplus assets.

Ratio of exchange is one Irving Bank-Columbia Trust share for two of National Butchers and Drovers.

Additionally, the shareholders of the absorbed bank would receive certificates of beneficial interest in such surplus assets as remain after payment of liabilities. Butchers and Drovers' surplus so available would appear to be $65 per share. For these shareholders, whose stock a month ago was at 175-185 when Irving was 315-325, the exchange appears advantageous. Irving has furthermore moved to increase its capital stock by 35,000 shares, to be purchased by its stockholders at $200. Subscription basis is one share of new stock for five of old. Share capital will be raised

to 22 millions, and surplus to 19 millions. Total of 41 millions will greatly increase Irving's prestige among New York banking institutions.

Amid a welter of smaller new organizations it is gratifying to note the opening for business of the Guardian Trust Co. of Newark, New Jersey, to rank second in the state.

Among insurance stocks, a good example of an undervalued stock is U. S. Merchants and Shippers. It has an income from investments alone of $20.85 of which it disburses only $8 in dividends. At prevailing prices of $250, it earns more than 8% on market price. It is one of the few companies whose stock is less than liquidating value, which is $292 per share. A large cash dividend, or stock dividend, would seem to be in order. The principal reason for the low price of the stock is, of course, the small return while awaiting such steps by the board of directors.

SHOULD MY BROTHER BUY INSURANCE?

(*Continued from page 773*)

would be about the same, if the father is under age 35. The annual premium for a 20 Year Endowment Policy on the non-participating form is about $40 per $1,000. On a participating basis, the rate is about 20% or 25% higher, reducible after the first year by dividend reduction.

Anticipating a Loan

Insurance Editor:

Kindly advise me what to suggest to several lads I am interested in, whose ages range from 12 to 16 years, and who want to know when and how to obtain insurance so that they will be able to offer some security against loans for educational expenses in coming years. I am, gratefully yours—Rev. A. C. D.

We have your letter of the 13th inst. in regard to placing life insurance on lads in whom you are interested, between the ages of 12 and 16, with the thought of their using such policies for their loan values at college entrance age.

The beneficiary under a child's policy would of necessity have to show a definite insurable interest—as, for instance, that of parent of the child or near relation. If this relationship does not exist between the child and the person paying premiums on the policy, there would doubtless be some difficulty in obtaining the coverage.

The loan, or surrender value, on such insurance after the short interval between the time it was issued and age 18 (the usual age when college entrance is planned to commence) would be negligible for that purpose. If the loan were sought from some interested friend of the boy at that time and the policy offered as collateral, its value as collateral would be largely dependent upon the integrity and good faith of the student to personally repay his debt through money earned.

New York Curb Market

IMPORTANT ISSUES

Quotations as of Recent Date*

Name and Dividend	1926 Price Range High	Low	Recent Price
Albert Pick Barth wi	13	10	12⅞
Amer. Gas & Elec. (1)	99¾	64	96¼
Amer. Super Power A (1.5)	37⅞	19½	31
Amer. Super Power B (1.5)	39	21	32
Contrif. Pipe (1)	27	15¾	20
Cities Service New (1.2)	42½	37½	41¾
Cities Service Pfd. (6)	86⅞	82⅝	86⅝
Continental Baking B	30½	8¾	9½
Continental Bak. Pfd. (6)	101	86½	92½
Curtiss Aero	23⅞	15⅛	18
Curtiss Aero Pfd. (5)	89½	75½	86
Durant Motors	13¾	3⅛	10⅛
Elect. Bond & Share (1)	86	56½	76⅛
Electric Investors	74½	30¾	44½
Ford Motor of Canada (20)	655	440	503
General Baking A (5)	97½	44½	58¼
General Baking B	17⅞	5	8
Gillette Safety Razor (3)	114	89	94¼
Glen Alden Coal (7)	171	138½	166¼
Goodyear Tire & Rubber	40	28	35
Gulf Oil (1.5)	93¾	82	85½
Happiness Candy Store (50c)	8¼	5⅞	6
Hecla Mining (2)	19¼	15½	17¼
Horn & Hardart (1.50)	62⅞	41	50
International Utilities B	9⅞	4⅛	4¾
Land Co. of Florida	47¾	21	27
Lion Oil & Refining (2)	25¾	20⅛	23
Metro Chain Stores	50½	25½	32½
Mountain Producers (2.40)	26	23	25
New Mex. & Arizona Land	17	9⅛	13⅛
Nipissing Mining (60c)	7½	5	5⅛
Northern Ohio Power	26⅛	11	14
Pacific Steel Boiler	16⅝	11	12⅝
Puget Sound P. & L.	66½	28	38¼
Reo Motor (80c)	25⅝	19¼	20
Rickenbacker Motor	9½	3	4⅛
Salt Creek Producers (2)	36	28⅞	30¾
Servel Corporation A	30½	15⅛	22
Southeast Pwr. & Lt. new	46¾	20	29
So'east Pwr. & Lt. Pfd. (4)	66½	59	65¾
Stutz Motors	37¾	19	24½
Trans Lux	14	6½	8⅛
Tobacco Products Export	4⅞	3½	3½
Tubize Artif. Silk	240	161	180
Victor Talking Machine	97⅝	68	83

STANDARD OIL STOCKS

Name and Dividend	1926 Price Range High	Low	Recent Price
Continental Oil (1)	25⅞	19½	21¼
Humble Oil (1.2)	99⅝	52	62½
International Pet. (50c)	35¼	28¾	33¾
Ohio Oil (2)	67⅜	55¾	60
Prairie Oil & Gas (50c)	60¼	48	51¾
Standard Oil of Ind. (2.5)	70½	61¼	64½
Standard Oil of N. Y. (1.4)	47¼	30⅝	34½
Vacuum Oil (2)	109⅝	94⅛	104¼

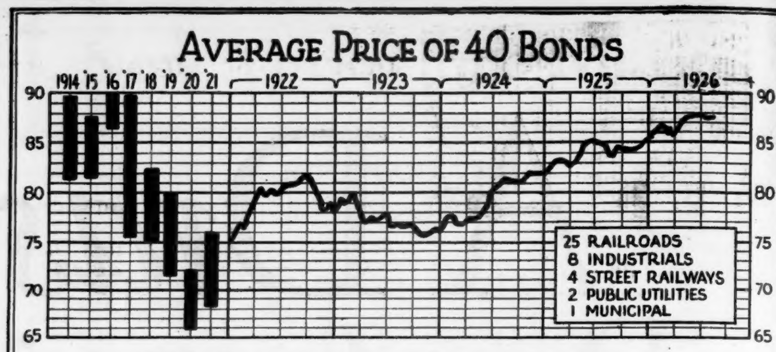
*Dividends quoted dollars per share, Aug. 4.

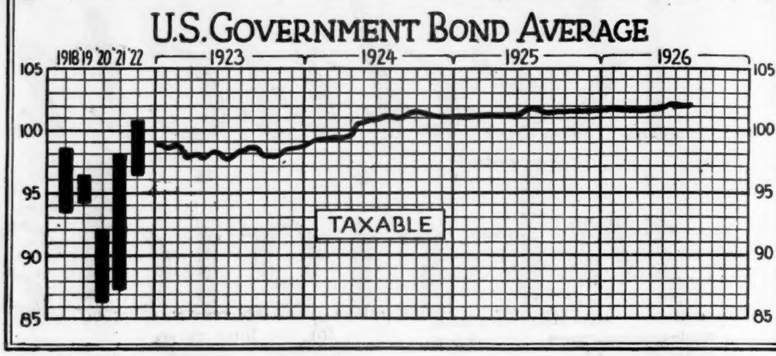
ENCOURAGED by rapid advances among certain "key stocks" on the Stock Exchange, traders on the Curb have come into the market to participate in the advance of the leading Curb issues. The public utility shares and oil stocks were well bought and with few exceptions registered gains. In the recent sessions, a heavy buying movement materialized in *Electric Bond & Share* which carried the stock up six points over its previous level. The rest of the utilities fell in line; *American Super Power* establishing a gain of five points in both classes of stock and *American Gas & Electric* advancing more than three points.

The name of William C. Durant has been coupled so frequently with the rise of General Motors that even the most sophisticated traders were unable to exercise their customary restraint when the rumor came around that the "third Durant fortune" was going to be used to build up the motor company bearing this now famous name. In one especially active session, a three point advance was registered which carried *Durant Motors* over $10 a share which is five points over its previous level and a gain of over 300% over the low of the year. *Rickenbacker Motors* was also active and gained a point or two but the rest of the motor shares on the Curb failed to respond. In fact, *Stutz Motors* which so far has held its steady upward trend settled back for a loss of several points with comparatively dull trading.

Aside from the leaders among the public utility and oil stocks, the general list showed somewhat of a mixed trend and the buying noted in recent sessions is of a discriminating nature, suggesting that the rise has not broadened sufficiently to indicate an upward trend for the entire list. As a matter of fact, some industrials sold off in the face of advances by the Curb leaders and the largest number of shares have failed to give way to either higher or lower levels. This tendency is keeping some of the traders out of the market until a more general movement dedevelops.

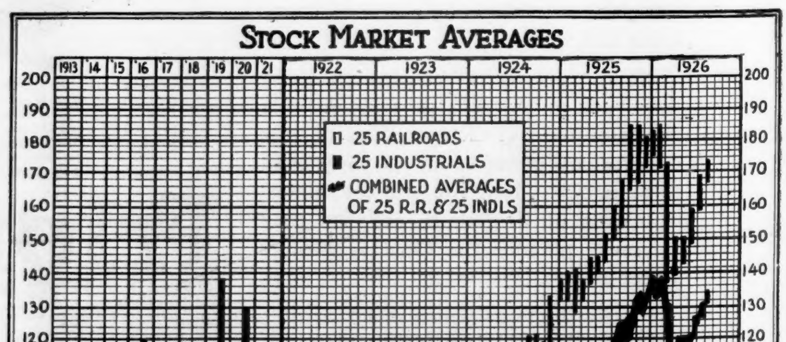
The oil shares, more than any other group, appeared to have found a definite trend following an extended resting spell in the previous weeks. Gains were shown by all the Standard issues and the most important independents. *Humble Oil*, characterized as the "largest per share earner in the Standard Oil family," was very strong and quite active for so closely a held stock. It is known that 70% of the shares are owned by Standard Oil of New Jersey and it is generally believed that a large portion of the balance of the outstanding stock lies in the strong boxes of officials of that company. Consequently Humble is peculiarly well situated both as far as its prospects in the industry and in the market are concerned. *Standard Oil of New York* also occupied a prominent place in recent sessions and is regaining some of the ground lost during the earlier part of the year, but is still well below the high for this year.





MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N. Y. Times —50 Stocks— High	Low	Sales
Thursday, July 22..	87.17	155.58	113.90	128.91	126.45	1,841,809
Friday, July 23....	87.21	155.43	112.79	127.71	126.20	1,176,198
Saturday, July 24..	87.27	154.59	112.89	126.93	126.15	438,700
Monday, July 26...	87.27	155.71	113.81	127.82	126.46	796,242
Tuesday, July 27..	87.27	156.73	113.90	128.82	127.80	1,085,992
Wednesday, July 28	87.34	159.33	114.45	130.03	128.58	1,642,742
Thursday, July 29..	87.38	160.58	114.20	130.84	129.09	2,327,233
Friday, July 30...	87.36	160.18	114.99	131.95	129.42	2,384,216
Saturday, July 31..	87.43	160.47	116.52	131.67	130.43	954,360
Monday, Aug. 2,...	87.42	161.84	116.66	132.75	130.94	2,003,823
Tuesday, Aug. 3...	87.49	163.40	116.31	133.84	131.84	2,829,021
Wednesday, Aug. 4.	87.54	163.23	115.60	134.08	132.06	2,562,800



OUTLOOK FOR THIRTEEN LOW-PRICED OIL SHARES

(Continued from page 767)

York Stock Exchange emphasizing their comparative importance in the producing and refining divisions. *Lago Oil and Transport* is the outstanding example of a producing company with virtually no refining or marketing investment. The major part of its underground reserves has been proved to a sufficient degree to insure a growing profit from the sale or its crude over a reasonably long period. The present stock market valuation of its shares reflects, however, the fact that the vast potential oil reserves of the company have been only partially proven. In the same category is *Maracaibo Oil Exploration* which has no refinery and marketing equipment and in addition avoids drilling risks by subleasing its acreage to large companies that are financially prepared to assume the risk. Both shares have good prospects for the long range.

***Superior Oil* is also exclusively a producer, its entire output being taken under contract by *Atlantic Refining* company—an arrangement now under litigation. The company has long since passed its heyday, however, and continues to exist because of its small settled production of high grade Kentucky crude. *Atlantic Refining* control lends little encouragement from stockholders' viewpoint and the shares are not recommended. *Simms Petroleum* is primarily a producer although it has some refinery equipment. Much of its production, however, is heavy Smackover oil (about half of the entire output in 1925) of poor quality and obtained from a declining district. The refinery and limited marketing facilities in Texas territory adjacent to the plant is no bull argument under present conditions and future depends on success of development of domestic and South American non-productive acreage. *Texas Pacific Coal & Oil* is the same type of company, except for its production of natural gasoline to blend with the low volitable straight run product. Recent acquisition of a marketing organization to sell this output expands scope of company but in long run may not prove to be good investment value in the face of existing conditions.**

A small company with virtually no production and depending upon purchased crude entirely to supply its refinery is the *Indian Refining Company.* Even with the low cost of crude during past years the company has shown deficits since 1920. However, with a better market for lubricants (its principal refined product) and concentration of marketing activities to the locality immediately surrounding its refinery at Lawrenceville, Illinois, a net profit is being currently earned on the shares. Speculative possibilities are decidedly limited in this issue.

Among the group of low priced

stocks under consideration, there are six which in a general way may be classified as the small independent "complete unit" in the oil industry in that they all control sufficient refinery equipment to treat a large part of their own crude oil supply—some buying crude—and all controlling their own retail gasoline sales within a limited territory and selling the balance of gasoline and other refined products through jobbers on a wholesale basis.

The shares of this type of company are not suitable for a "permanent investment" although with favorable stock market and oil market conditions, some nearby enhancement in value might possibly be witnessed.

In this special group, *Barnsdall Corporation* seems favored, having made an opportune acquisition of Waite Phillips on borrowed capital that appears to have prospects of "paying out" as an investment. *Independent Oil & Gas*, in spite of its good showing currently, has a spotty earnings record and it still remains to be seen whether or not the addition of 25,000 barrels refinery capacity is a wise step under present conditions of the refined market. *Louisiana Oil* with a steadier earnings record is entering the higher priced Eastern gasoline market through its interest in Beacon Oil, an expedient which may eventually expand earnings but may also prove to be beyond the natural and profitable range of operations of a small company. *Pierce Petroleum* has a 12,000 barrel refinery at seaboard (at Tampico, Mexico) but Mexican oil situation is none too favorable and two out of four domestic refining plants are not being operated.

Two of the companies in this group have important natural gasoline plants that should stand in their favor with the present marketing opportunities for blended gasoline products. *Producers and Refiners* controls its output for this product through its own service stations in the Middle West and will probably continue to do well in this field. *Transcontinental Oil*, the largest natural gasoline producer among the small companies, has withdrawn from the retail market in the East where the higher prices are obtained but has a good wholesale market for its product.

Sinclair Consolidated is in a class by itself and falls within the "low priced oil share" group through a heavy capitalization plus the after effects of too aggressive expansion in past years that were lean with opportunities for the oil companies. In importance and scope it is comparable with the large companies whose shares occupy a higher price level. As a speculative commitment for the long range, its shares have considerable attraction.

Dividends

GUANTANAMO SUGAR COMPANY

The Board of Directors has this day declared a Dividend of two dollars ($2.00) per share on the Preferred Stock, for the quarter ending Sept. 30, 1926, payable Sept. 30, 1926, to stockholders of record at the close of business Sept. 15, 1926. The Transfer Books will not be closed.

JOHN WOLLPERT, Treasurer.
New York, August 3, 1926

International Petroleum Company, Limited

Notice of Dividend No. 11

NOTICE is hereby given that a dividend of 25c. United States Currency per share has been declared, and that the same will be payable on or after the 16th day of August, 1926, in respect to the shares specified in any Bearer Share Warrants of the Company upon presentation and delivery of coupons No. 11 at the following banks:

The Royal Bank of Canada, 60 Church Street, Toronto 2, Canada.
The Farmers' Loan and Trust Company, 22 William Street, New York, N. Y.
The Farmers' Loan and Trust Company, 15 Cockspur Street, London, S.W. 1, England,

OR

The Offices of the International Petroleum Company, Limited, 56 Church Street, Toronto 2, Canada.

The payments to Shareholders of record at the close of business on the 10th day of August, 1926, and whose shares are represented by registered Certificates will be made by cheque, mailed from the offices of the Company on the 14th day of August, 1926.

The transfer books will be closed from the 11th day of August to the 16th day of August, 1926, inclusive, and no Bearer Share Warrants will be "split" during that period.

By Order of the Board,
J. R. CLARKE, Secretary.

56 Church Street, Toronto 2, Canada.
5th August, 1926.

UNITED STATES REALTY AND IMPROVEMENT COMPANY

111 BROADWAY, NEW YORK CITY.

The directors of this company today declared a quarterly dividend of one dollar ($1.00) on each share of its stock without nominal or par value issued and outstanding, payable on September 15, 1926, to holders of record of such stock at the close of business on August 27, 1926.

For the purposes of such dividend, holders of record at the close of business on August 27, 1926, of certificates for shares of common stock of the par value of one hundred dollars, which will not have been exchanged for certificates of stock without nominal or par value, will be deemed the holders of record of 2½ shares of stock without nominal or par value for each share of common stock of the par value of one hundred dollars held on said date, as if such exchange had been made, and will be entitled to said dividend.

Dated New York, August 5, 1926.
ALBERT E. HADLOCK, Treasurer

Fairbanks, Morse & Co.

Preferred Dividend

Notice is hereby given that the regular quarterly dividend of One and Three-quarters per cent (1¾%) has been declared on the outstanding 7% preferred stock of this company, payable on September 1st, 1926, to stockholders of record at the close of business on August 14th, 1926.

The transfer books will not close.

F. M. BOUGHEY, Secretary.
Chicago, Illinois,
August 3rd, 1926

Tennessee Copper & Chemical Corporation

61 Broadway, New York

August 4, 1926.

The Board of Directors of the Tennessee Copper & Chemical Corporation has this day declared a quarterly dividend of twenty-five cents (25c) per share on the issued and outstanding capital stock of the company, payable September 15, 1926, to stockholders of record at the close of business on August 31, 1926. The books will not close.

E. H. WESTLAKE, Treasurer.

INTERNATIONAL PAPER COMPANY

New York, June 30th, 1926.

The Board of Directors have declared a quarterly dividend of Fifty Cents (50c) a share on the Common Stock of this Company, payable August 16th, 1926 to Common Stockholders of record at the close of business August 4th, 1926.

Checks will be mailed. Transfer books will not close.

OWEN SHEPHERD, Treasurer.

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